

**Daviess County School District
Owensboro, Kentucky**

Accountants' Reports, Supplementary Information
and Financial Statements

June 30, 2004

Daviess County School District
Owensboro, Kentucky
June 30, 2004

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June 30, 2004

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Owensboro, Kentucky
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Independent Accountants' Report on Financial Statements and Supplementary Information

Kentucky State Committee for School District Audits
Members of the Board of Education
Daviess County School District
Owensboro, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Daviess County School District (District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Guide for Auditing Local School Districts' Fiscal Records*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Daviess County School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Solutions
for
Success

Kentucky State Committee for School District Audits
Members of the Board of Education
Daviess County School District
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The accompanying management's discussion and analysis and budgetary information as listed in the table of contents are not a required part of the basic financial statements but supplementary information required by the Government Accounting Standards Board. We applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

October 29, 2004

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis
for the fiscal year ended June 30, 2004

The discussion and analysis of Daviess County Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to review the school district's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* issued in June 1999. 2002-03 comparative figures are provided below after the 2003-04 information since 2003-2004 is the second year of reporting under GASB 34.

Financial Highlights

- In total, net assets are \$33,449,118 and \$33,183,869. Net assets of governmental activities are \$31,359,348 and \$31,212,560, including \$20,430,341 and \$26,368,481 invested in capital assets, net of related debt, \$7,991,297 and \$412,784 restricted for capital projects and construction and \$155,419 and \$167,794 restricted for other purposes, and \$2,782,291 and \$4,263,501 of unrestricted net assets. Net assets of business-type activities are \$2,089,770 and \$1,971,309 including \$1,661,706 and \$1,500,410 invested in capital assets, net of related debt and \$428,064 and \$470,899 of unrestricted net assets.
- As indicated above, \$7,991,297 and \$412,784 of net assets of governmental activities is restricted for capital projects and construction while the other \$155,419 and \$167,794 of restricted net assets is restricted for site-based councils, and technology expenditures. Other known items that commit net assets are the bonded debt and lease obligations explained in Note 4 to the audited financial statements on pages 40-44 and the commitments under non-capitalized leases explained in Note 7 to the audited financial statements on page 46.
- Total assets of governmental activities are \$91,291,896 and \$77,445,698. Capital assets are \$72,458,836 and \$64,467,675 while unrestricted cash and investments are \$9,117,541 and \$10,244,043. Total assets of business type activities are \$2,114,803 and \$2,098,484. Capital assets are \$428,064 and \$470,899 while cash and investments are \$1,321,425 and \$1,376,345.

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis (Continued)
for the fiscal year ended June 30, 2004

- Total liabilities are \$59,957,581 and \$43,360,313. Liabilities for governmental activities include \$10,486,125 and \$9,954,888 of current liabilities such as accounts payable, accrued payroll, short-term debt, and other current accruals. Also included is \$49,446,423 and \$36,278,250 of long-term liabilities including \$47,896,358 and \$35,168,813 of school building revenue bonds, \$451,781 and \$0 of long-term lease obligations, \$1,056,189 and \$1,063,690 of accrued sick leave due in more than one year and \$42,095 and \$45,747 of notes payable due in more than one year. All \$25,033 and \$127,175 of liabilities of business-type activities is current liabilities.
- General revenues accounted for \$63,890,199 and \$61,365,489 in revenue or 77% and 78% of total revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$17,457,390 and \$17,197,603 or 23% and 22% of total revenues of \$81,347,589 and \$78,563,092.
- The School District had \$75,555,854 and \$71,376,736 in expenses related to governmental activities; only \$11,829,647 and \$12,056,828 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state SEEK allocations), and sale of construction bonds were adequate to provide these programs.
- Construction continued during the year with additions at Highland Elementary School, East View Elementary School, and Burns Elementary School, which opened in the fall of 2004. Construction continued on the new Meadow Lands Elementary School that opened in August of 2004. Other small projects were also completed at Daviess County High School and Daviess County Middle School. These additions totaled \$9,160,060 and \$1,790,913 of Construction in Progress at June 30, 2004 and 2003.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Daviess County Public School District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The **Statement of Net Assets and Statement of Activities** provide information about the activities of the whole school district, presenting both an aggregate view of the school district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the school district's major funds with all other non-major funds presented in total in one column. The 2004 major funds for the Daviess County School District are the general fund, special revenue (grant) funds, FSPK fund and constructions funds.

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis (Continued)
for the fiscal year ended June 30, 2004

Reporting the School District as a Whole

One of the most important questions asked about the school district is “how did we do financially during 2003-04?” The **Statement of Net Assets** and the **Statement of Activities**, which appear first in the school district's financial statements, report information on the school district as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received and paid.

These two statements report the school district's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the school district has improved or diminished. However, the school district's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the school district's property tax base, current property tax laws in Kentucky restricting revenue growth, required educational programs and other factors.

In the **Statement of Net Assets** and the **Statements of Activities**, the school district is divided into two distinct kinds of activities:

Government Activities – most of the school district's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and other activities.

Business-type Activities – these services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The school district's food service operation and after school programs are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the school district's major funds begins on page 16. Fund financial reports provide detailed information about the school district's major funds. The school district uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the school district's major funds.

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis (Continued)
for the fiscal year ended June 30, 2004

Governmental Funds – most of the school district's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the school district's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

Governmental Activities

Instruction comprises 66% and 66% of governmental program expenses. Support services expenses make up 31% and 31% of government expenses and interest on long-term debt was 3% and 3%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 1 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 1)
Governmental Activities

	2004	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 49,500,818	\$ 43,517,752
Support services	23,933,842	21,411,123
Facility acquisition/construction	—	(3,020,478)
Interest on long-term debt	<u>2,121,194</u>	<u>1,817,810</u>
Total expenses	\$ <u>75,555,854</u>	\$ <u>63,726,207</u>

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis (Continued)
for the fiscal year ended June 30, 2004

	2003	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 47,197,132	\$ 39,600,138
Support services	22,184,850	20,944,562
Facility acquisition/construction	—	(2,874,561)
Interest on long-term debt	<u>1,994,754</u>	<u>1,649,769</u>
Total expenses	<u>\$ 71,376,736</u>	<u>\$ 59,319,908</u>

Business-Type Activities

The only business-type activities are the food service operation and the after school programs. Food Service had total revenues of \$4,883,217 and \$4,480,328 and total expenses of \$4,786,209 and \$4,500,510 for fiscal years 2004 and 2003. Of the revenues, \$2,465,983 and \$2,341,493 was charges for services, \$2,417,234 and \$2,118,704 was from State and Federal grants, \$17,089 and \$17,073 from investment earnings and the remaining (\$4,182) loss and \$3,058 gain on disposal of equipment. After school programs had total revenues of \$748,823 and \$717,244 and total expenses of \$740,277 and \$776,016 for fiscal years 2004 and 2003. Of the revenues, \$700,155 and \$649,677 was charges for services, \$44,371 and \$61,642 was from State and Federal grants, \$4,297 and \$5,925 from investment earnings. Business activities receive no support from tax revenues. The school district will continue to monitor the charges and costs of these activities. If it becomes necessary, the school district will increase the charges for these activities.

The School District's Funds

Information about the school district's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$75,918,055 and \$73,139,243 and expenditures of \$86,680,054 and \$74,985,596. Net changes in fund balances for the year was most significant in the General Fund (\$1,337,477), \$616,552 in the FSPK fund, \$6,596,020 in the Construction fund, and \$365,941 in other governmental funds. The decrease in the General Fund was due to one-time expenditures from non-recurring funds.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis (Continued)
for the fiscal year ended June 30, 2004

Variance comparisons are presented between the final budgeted amounts and the actual amounts beginning on page 51. For the General Fund, revenues were budgeted at \$52,154,854 and \$49,157,076 with actual amounts of \$61,238,221 and \$48,915,822. Budgeted expenditures of \$57,787,029 and \$55,156,833 compare with actual expenditures of \$63,325,165 and \$49,830,746. A variance of \$5,538,136 and \$5,326,087 remains. Of this difference, \$3,520,000 and \$3,000,000 was the budgeted contingency expense.

Debt

At June 30, 2004 and 2003, the school district had \$53,045,000 and \$38,480,000 in bonds outstanding; of this amount \$6,131,430 and \$7,110,310 are to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$3,540,000 and \$2,965,000 is due within one year.

During the 2004 fiscal year, two bond issues totaling \$10,790,000 were issued in order to refund prior issues to achieve lower interest rates. In addition, \$16,310,000 of new building revenue bonds were issued for new school construction. The District also entered into \$802,362 in capital lease obligations for computers and technology equipment.

At June 30, 2002, the school district had \$40,805,000 in bonds outstanding, including those to be paid from KSFCC funding. The decrease during the 2003 fiscal year of \$2,325,000 is due to the scheduled debt service bond payments.

District Challenges for the Future

Daviess County Public School District's financial status is currently stable but at risk due to the potential continuing loss of state funding in subsequent years. This is the result of two major factors, continued student growth without increased state funding for the growth, and a general decrease in the percentage of state funding. Because of these issues, the long-term financial picture could prove very problematic, and is the most pressing issue for our District.

The school district has experienced an annual growth in student enrollment of approximately 150 students per year, for the last three years. The school district has prepared for an increase in enrollment by building new schools and renovating and adding to existing schools. These new facilities come with increased utility costs and additional personnel cost (both administrative and support staffs). These new buildings also have a cost for computers, library books, instructional materials, and other items that can only be paid from the General Fund. These costs along with the need to add additional buildings in the next few years will create more challenges for the school district.

In the past, the costs associated with growth due to increased student enrollment have been offset by additional state funding, and continued increases in business and residential property subject to tax within the school district. Our property tax base continues to grow; however our school district, like all Kentucky school districts, is limited to a 4% annual growth in property tax revenue on existing property.

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis (Continued)
for the fiscal year ended June 30, 2004

The second factor facing our school district is that of adequate state funding. The emergency-funding plan our state is operating under required all school districts to provide a 2.7% increase in salaries to all certified personnel for the 2003-2004 fiscal year. In addition, House Bill I passed during a special session of the legislature and required an additional 1% annual raise for wages earned after January 1, 2005; effectively 0.5% annually. Of the total raise, only 1.5% was funded by the state. If unfunded mandates from the state continue in future years, a severe strain will be placed on the district's resources. The district maintains a contingency plan to deal with state funding shortfalls but this will only be effective in the short term. A long-term solution at the state level must be determined and enacted by the state legislature to ensure adequate funding for public education.

(Table 2)
Net Assets

	Governmental Activities	Business-Type Activities	Totals
Program Revenues			
Charges for services	\$ 534,281	\$ 3,166,138	\$ 3,700,419
Operating grants and contributions	7,971,504	2,461,605	10,433,109
Capital grants and contributions	<u>3,323,862</u>	<u>—</u>	<u>3,323,862</u>
Total program revenues	<u>11,829,647</u>	<u>5,627,743</u>	<u>17,457,390</u>
General Revenues			
Taxes	19,864,116	—	19,864,116
State aid	43,876,089	—	43,876,089
Investment earnings	107,875	21,386	129,261
Loss on sale of equipment	(5,817)	(4,182)	(9,999)
Miscellaneous	<u>30,732</u>	<u>—</u>	<u>30,732</u>
Total general revenues	<u>63,872,995</u>	<u>17,204</u>	<u>63,890,199</u>
Total revenue	<u>75,702,642</u>	<u>5,644,947</u>	<u>81,347,589</u>

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis (Continued)
for the fiscal year ended June 30, 2004

(Table 2)
Net Assets, Continued

	Governmental Activities	Business-Type Activities	Totals
Program Expenses			
Instruction	\$ 49,500,818	\$ —	\$ 49,500,818
Support services			
Student	2,437,659	—	2,437,659
Instructional staff	1,997,012	—	1,997,012
District administration	524,261	—	524,261
School Administration	3,987,453	—	3,987,453
Business	821,181	—	821,181
Plant operations and maintenance	7,112,473	—	7,112,473
Student transportation	5,602,643	—	5,602,643
Central office	637,790	—	637,790
Community service	813,370	—	813,370
Interest expense	2,121,194	—	2,121,194
Food service	—	4,786,209	4,786,209
After school programs	—	740,277	740,277
	<u>75,555,854</u>	<u>5,526,486</u>	<u>81,082,340</u>
Total expense and transfers			
	<u>75,555,854</u>	<u>5,526,486</u>	<u>81,082,340</u>
Increase in net assets	\$ <u>146,788</u>	\$ <u>118,461</u>	\$ <u>265,249</u>

Daviess County Board of Education
Daviess County School District
Management's Discussion and Analysis (Continued)
for the fiscal year ended June 30, 2004

(Table 2) Net Assets			
	Governmental Activities	Business-Type Activities	Totals
	2003	2003	2003
Program Revenues			
Charges for services	\$ 624,743	\$ 2,960,429	\$ 3,585,172
Operating grants/contribution	7,888,732	2,180,346	10,069,078
Capital grants/contribution	<u>3,543,353</u>	<u>—</u>	<u>3,543,353</u>
Total program revenues	<u>12,056,828</u>	<u>5,140,775</u>	<u>17,197,603</u>
General Revenues			
Taxes	19,038,787	—	19,038,787
State aid	41,478,212	—	41,478,212
Investment earnings	620,378	22,998	643,376
Gain (loss) on sale of equipment	(713)	3,058	2,345
Miscellaneous	<u>172,028</u>	<u>30,741</u>	<u>202,769</u>
Total general revenues	<u>61,308,692</u>	<u>56,797</u>	<u>61,365,489</u>
Total revenue	<u>73,365,520</u>	<u>5,197,572</u>	<u>78,563,092</u>
Program Expenses			
Instruction	47,197,132	—	47,197,132
Support services			
Student	2,158,024	—	2,158,024
Instructional staff	1,882,636	—	1,882,636
District administration	538,157	—	538,157
School Administration	3,697,769	—	3,697,769
Business	839,360	—	839,360
Plant operations and maintenance	6,423,613	—	6,423,613
Student transportation	5,225,132	—	5,225,132
Central office	593,225	—	593,225
Community service	826,934	—	826,934
Interest expense	1,994,754	—	1,994,754
Food service	—	4,500,510	4,500,510
After school programs	—	776,016	776,016
Transfers	<u>(10,645)</u>	<u>10,645</u>	<u>—</u>
Total expense and transfers	<u>71,366,091</u>	<u>5,287,171</u>	<u>76,653,262</u>
Increase (decrease) in net assets	\$ <u>1,999,429</u>	\$ <u>(89,599)</u>	\$ <u>1,909,830</u>

Daviess County School District
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 31,512	\$ 1,321,425	\$ 1,352,937
Investments	9,086,029	—	9,086,029
Accounts receivable			
Taxes – current	354,399	—	354,399
Taxes – delinquent	489,907	—	489,907
Accounts	236,100	8,661	244,761
Intergovernmental – state	16,207	—	16,207
Intergovernmental – federal	530,411	245,794	776,205
Due from other funds	5,092	—	5,092
Inventories	266,692	110,859	377,551
Prepaid and other assets	500,729	—	500,729
Restricted cash and cash equivalents	7,083,977	—	7,083,977
Debt issuance costs, net of accumulated amortization	232,005	—	232,005
Capital assets, net of accumulated depreciation	<u>72,458,836</u>	<u>428,064</u>	<u>72,886,900</u>
Total assets	<u>91,291,896</u>	<u>2,114,803</u>	<u>93,406,699</u>
Liabilities			
Accounts payable	1,318,586	173	1,318,759
Student prepaid lunches	—	24,860	24,860
Accrued payroll and related liabilities	4,233,893	—	4,233,893
Accrued vacation pay, due within one year	237,098	—	237,098
Accrued interest	380,807	—	380,807
Deferred revenue	352,980	—	352,980
School building revenue bonds			
Due within one year	3,395,192	—	3,395,192
Due in more than one year	47,896,358	—	47,896,358
Notes payable			
Due within one year	41,493	—	41,493
Due in more than one year	42,095	—	42,095
Capital lease obligations			
Due within one year	247,321	—	247,321
Due in more than one year	451,781	—	451,781
Accrued sick leave			
Due within one year	278,755	—	278,755
Due in more than one year	<u>1,056,189</u>	<u>—</u>	<u>1,056,189</u>
Total liabilities	<u>59,932,548</u>	<u>25,033</u>	<u>59,957,581</u>

Daviess County School District
Statement of Net Assets (Continued)
June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 20,430,341	\$ 428,064	\$ 20,858,405
Restricted for			
Capital projects and construction	7,991,297	—	7,991,297
Other purposes	155,419	—	155,419
Unrestricted	<u>2,782,291</u>	<u>1,661,706</u>	<u>4,443,997</u>
Total net assets	\$ <u>31,359,348</u>	\$ <u>2,089,770</u>	\$ <u>33,449,118</u>

Daviess County School District

Statement of Activities Year ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Total District- wide Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental Activities					
Instruction	\$ 49,500,818	\$ 256,287	\$ 5,726,779	\$ —	\$(43,517,752)
Support services				—	
Student	2,437,659	—	299,595	—	(2,138,064)
Instructional staff	1,997,012	—	820,864	—	(1,176,148)
District administration	524,261	—	25,648	—	(498,613)
School administration	3,987,453	—	124,951	—	(3,862,502)
Business	821,181	—	—	—	(821,181)
Plant operations and maintenance	7,112,473	—	245	—	(7,112,228)
Student transportation	5,602,643	277,994	351,395	—	(4,973,254)
Central office	637,790	—	—	—	(637,790)
Community service	813,370	—	622,027	—	(191,343)
Facilities acquisition and construction	—	—	—	3,020,478	3,020,478
Interest expense	<u>2,121,194</u>	<u>—</u>	<u>—</u>	<u>303,384</u>	<u>(1,817,810)</u>
Total governmental activities	<u>75,555,854</u>	<u>534,281</u>	<u>7,971,504</u>	<u>3,323,862</u>	<u>(63,726,207)</u>
Business-type Activities					
School food services	4,786,209	2,465,983	2,417,234	—	97,008
After school program	<u>740,277</u>	<u>700,155</u>	<u>44,371</u>	<u>—</u>	<u>4,249</u>
Total business- type activities	<u>5,526,486</u>	<u>3,166,138</u>	<u>2,461,605</u>	<u>—</u>	<u>101,257</u>
Total activities	<u>\$ 81,082,340</u>	<u>\$ 3,700,419</u>	<u>\$ 10,433,109</u>	<u>\$ 3,323,862</u>	<u>\$(63,624,950)</u>

Daviess County School District
Statement of Activities (Continued)
Year ended June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	\$ <u>(63,726,207)</u>	\$ <u>101,257</u>	\$ <u>(63,624,950)</u>
General revenues			
Taxes			
Property	14,553,165	—	14,553,165
Motor vehicle	1,656,565	—	1,656,565
Delinquent	203,123	—	203,123
Distilled spirits	92,944	—	92,944
Public service company	634,600	—	634,600
Utilities	2,723,719	—	2,723,719
State sources			
SEEK program – formula grant	33,759,003	—	33,759,003
On-behalf fringe benefit payments	10,087,467	—	10,087,467
Other state revenues	29,619	—	29,619
Loss on sale of assets	(5,817)	(4,182)	(9,999)
Investment income	107,875	21,386	129,261
Miscellaneous	<u>30,732</u>	<u>—</u>	<u>30,732</u>
Total general revenues	63,872,995	17,204	63,890,199
Change in Net Assets	<u>146,788</u>	<u>118,461</u>	<u>265,249</u>
Net Assets, July 1, 2003	<u>31,212,560</u>	<u>1,971,309</u>	<u>33,183,869</u>
Net Assets, June 30, 2004	<u>\$ 31,359,348</u>	<u>\$ 2,089,770</u>	<u>\$ 33,449,118</u>

Daviess County School District

Balance Sheet

Governmental Funds

June 30, 2004

	General Fund	Special Revenue (Grant) Funds	FSPK Fund
Assets			
Cash and cash equivalents	\$ 31,512	\$ —	\$ —
Investments	7,298,168	—	—
Accounts receivable			
Taxes – current	354,399	—	—
Taxes – delinquent	489,907	—	—
Accounts	134,299	746	—
Intergovernmental – state	—	16,207	—
Intergovernmental – federal	—	530,411	—
Due from other funds	111,126	—	—
Inventories	266,692	—	—
Prepays and other assets	500,729	—	—
Restricted cash and cash equivalents	—	—	1,903,842
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>9,186,832</u>	\$ <u>547,364</u>	\$ <u>1,903,842</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 369,015	\$ 21,245	\$ —
Due to other funds	—	153,819	—
Accrued payroll and related liabilities	4,233,893	—	—
Deferred revenue	208,226	352,980	—
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,811,134</u>	<u>528,044</u>	<u>0</u>
Fund balances			
Reserved for			
Inventories	266,692	—	—
Encumbrances	442,584	—	1,903,842
Bond payment	—	—	—
Technology	—	19,320	—
Site based councils	136,099	—	—
Unreserved	3,530,323	—	—
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>4,375,698</u>	<u>19,320</u>	<u>1,903,842</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>9,186,832</u>	\$ <u>547,364</u>	\$ <u>1,903,842</u>

Construction Funds	Other Governmental Funds	Total Governmental Funds
\$ —	\$ —	\$ 31,512
1,787,861	—	9,086,029
—	—	354,399
—	—	489,907
—	—	135,045
—	—	16,207
—	—	530,411
14,167	33,618	158,911
—	—	266,692
—	—	500,729
<u>4,821,467</u>	<u>358,668</u>	<u>7,083,977</u>
<u>\$ 6,623,495</u>	<u>\$ 392,286</u>	<u>\$ 18,653,819</u>
\$ 907,392	\$ 20,934	\$ 1,318,586
—	—	153,819
—	—	4,233,893
<u>—</u>	<u>—</u>	<u>561,206</u>
<u>907,392</u>	<u>20,934</u>	<u>6,267,504</u>
—	—	266,692
5,716,103	319,783	8,382,312
—	51,569	51,569
—	—	19,320
—	—	136,099
<u>—</u>	<u>—</u>	<u>3,530,323</u>
<u>5,716,103</u>	<u>371,352</u>	<u>12,386,315</u>
<u>\$ 6,623,495</u>	<u>\$ 392,286</u>	<u>\$ 18,653,819</u>

Daviess County School District
Reconciliation of Total Governmental Fund Balances to
Total Net Assets of Governmental Activities
June 30, 2004

**Fund Balance Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Fund Balances – Total Governmental Funds – Balance Sheet	\$ 12,386,315
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	72,458,836
Other assets not available to pay for current expenditures are not reported as receivables in the funds	
Accrued interest receivable	23,202
Workman's compensation insurance refund	77,853
Other assets not available to pay for current expenditures are deferred in the funds	
Property taxes receivable	208,226
Certain liabilities for compensated absences are recognized as liabilities in the governmental funds when the amounts are expected to be liquidated with expendable available financial resources	
Accrued vacation	237,098
Accrued sick leave	1,334,944
Long-term liabilities not due and payable in the current period are not reported as liabilities in the governmental funds	
Accrued interest payable	(380,807)
Notes payable	(83,588)
Bonds payable	(53,045,000)
Capital lease obligations	(699,102)
Issuance of discount (to be amortized as interest expense)	388,897
Deferred charge for issuance costs (to be amortized over life of debt)	232,005
Deferred charge on refunding (to be amortized as interest expense)	<u>1,364,553</u>
Total Net Assets – Governmental Activities – Statement of Net Assets	\$ <u>31,359,348</u>

Daviess County School District
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2004

	Governmental Fund Types		
	General Fund	Special Revenue (Grant) Funds	FSPK Fund
Revenues			
From local sources			
Taxes			
Property	\$ 11,747,136	\$ —	\$ 2,806,029
Motor vehicle	1,313,052	—	343,513
Delinquent	384,356	—	—
Distilled spirits	74,851	—	18,093
Public service company	470,184	—	164,416
Utilities	2,723,719	—	—
Tuition and fees	95,878	—	—
Earnings on investments	81,948	—	5,000
Other local revenues	471,008	378,174	—
Intergovernmental – state	43,876,089	3,528,300	958,525
Intergovernmental – indirect federal	—	4,105,633	—
Intergovernmental – direct federal	—	59,015	—
	<u>61,238,221</u>	<u>8,071,122</u>	<u>4,295,576</u>
Total revenues			
Expenditures			
Current			
Instruction	41,335,020	6,884,746	—
Support services			
Student	2,140,194	297,465	—
Instructional staff	1,980,049	—	—
District administration	481,198	25,648	—
School administration	3,986,365	1,089	—
Business	821,181	—	—
Plant operations and maintenance	6,849,426	245	—
Student transportation	4,811,340	351,396	—
Central office	637,790	—	—
Community service	191,342	622,028	—
Facilities acquisition and construction	91,260	—	6,293
Debt service			
Principal	—	—	—
Interest	—	—	—
Debt issuance costs	—	—	—
	<u>63,325,165</u>	<u>8,182,617</u>	<u>6,293</u>
Total expenditures			

Governmental Fund Types		
Construction Funds	Other Governmental Funds	Total Governmental Funds
\$ —	\$ —	\$ 14,553,165
—	—	1,656,565
—	—	384,356
—	—	92,944
—	—	634,600
—	—	2,723,719
—	—	95,878
47,292	2,000	136,240
—	—	849,182
—	2,263,844	50,626,758
—	—	4,105,633
—	—	59,015
<u>47,292</u>	<u>2,265,844</u>	<u>75,918,055</u>
—	—	48,219,766
—	—	2,437,659
—	—	1,980,049
—	—	506,846
—	—	3,987,454
—	—	821,181
—	—	6,849,671
—	—	5,162,736
—	—	637,790
—	—	813,370
10,003,855	1,300	10,102,708
—	3,123,390	3,123,390
—	1,838,494	1,838,494
<u>110,740</u>	<u>88,200</u>	<u>198,940</u>
<u>10,114,595</u>	<u>5,051,384</u>	<u>86,680,054</u>

Daviess County School District
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds (Continued)
Year Ended June 30, 2004

	Governmental Fund Types		
	General Fund	Special Revenue (Grant) Funds	FSPK Fund
Excess (deficit) of revenues over expenditures	\$ <u>(2,086,944)</u>	\$ <u>(111,495)</u>	\$ <u>4,289,283</u>
Other Financing Sources (Uses)			
Proceeds – sale of fixed assets	15,874	—	—
Proceeds of bonds	—	—	—
Proceeds of refunding bonds	—	—	—
Proceeds of debt issuance	45,736	—	—
Payment to refund bond escrow	—	—	—
Proceeds of debt – capital lease obligations	802,362	—	—
Discount on bonds	—	—	—
Operating transfers in	—	104,984	—
Operating transfers out	<u>(114,505)</u>	<u>—</u>	<u>(3,672,731)</u>
Total other financing sources (uses)	<u>749,467</u>	<u>104,984</u>	<u>(3,672,731)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,337,477)	(6,511)	616,552
Fund Balance, July 1, 2003	<u>5,713,175</u>	<u>25,831</u>	<u>1,287,290</u>
Fund Balance, June 30, 2004	\$ <u><u>4,375,698</u></u>	\$ <u><u>19,320</u></u>	\$ <u><u>1,903,842</u></u>

Governmental Fund Types		
Construction Funds	Other Governmental Funds	Total Governmental Funds
\$ (10,067,303)	\$ (2,785,540)	\$ (10,761,999)
—	—	15,874
16,310,000	—	16,310,000
—	10,790,000	10,790,000
—	—	45,736
—	(10,568,999)	(10,568,999)
—	—	802,362
(265,648)	(132,801)	(398,449)
618,971	3,712,749	4,436,704
<u>—</u>	<u>(649,468)</u>	<u>(4,436,704)</u>
<u>16,663,323</u>	<u>3,151,481</u>	<u>16,996,524</u>
6,596,020	365,941	6,234,525
<u>(879,917)</u>	<u>5,411</u>	<u>6,151,790</u>
<u>\$ 5,716,103</u>	<u>\$ 371,352</u>	<u>\$ 12,386,315</u>

Daviess County School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Year Ended June 30, 2004

**Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:**

Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses – Total Governmental Funds	\$ 6,234,525
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,012,853
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.	(21,691)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(13,716,827)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus, requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(137,895)
Some revenues reported in the Statement of Activities, such as taxes receivable, do not provide current financial resources and are deferred in the governmental funds.	(181,233)
Some receivables are not reported in the governmental funds.	49,489
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(92,433)
Change in Net Assets – Governmental Activities	<u>\$ 146,788</u>

Daviess County School District

Statement of Net Assets

Proprietary Fund

June 30, 2004

	School Food Services	Other Enterprise Fund After School Program	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,070,585	\$ 250,840	\$ 1,321,425
Accounts receivable			
Students	—	8,661	8,661
Intergovernmental – federal	245,794	—	245,794
Inventories for consumption	<u>110,859</u>	<u>—</u>	<u>110,859</u>
Total current assets	<u>1,427,238</u>	<u>259,501</u>	<u>1,686,739</u>
Noncurrent assets			
Equipment, net of depreciation	<u>396,362</u>	<u>31,702</u>	<u>428,064</u>
Total assets	<u>\$ 1,823,600</u>	<u>\$ 291,203</u>	<u>\$ 2,114,803</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 173	\$ —	\$ 173
Student prepaid lunches	<u>24,860</u>	<u>—</u>	<u>24,860</u>
Total liabilities	<u>25,033</u>	<u>0</u>	<u>25,033</u>
Net Assets			
Invested in capital assets net of related debt	396,362	31,702	428,064
Unrestricted	<u>1,402,205</u>	<u>259,501</u>	<u>1,661,706</u>
Total net assets	<u>\$ 1,798,567</u>	<u>\$ 291,203</u>	<u>\$ 2,089,770</u>

Daviess County School District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2004

	School Food Services	Other Enterprise Fund After School Program	Total
Operating Revenues			
Lunchroom sales	\$ 2,425,455	\$ —	\$ 2,425,455
After school fees	—	697,718	697,718
Other operating revenues	<u>40,528</u>	<u>2,437</u>	<u>42,965</u>
Total operating revenues	<u>2,465,983</u>	<u>700,155</u>	<u>3,166,138</u>
Operating Expenses			
Salaries, wages and benefits	1,945,189	603,009	2,548,198
Material and supplies	2,549,742	111,176	2,660,918
Depreciation	109,390	7,439	116,829
Other operating expenses	<u>181,888</u>	<u>18,653</u>	<u>200,541</u>
Total operating expenses	<u>4,786,209</u>	<u>740,277</u>	<u>5,526,486</u>
Operating loss	<u>(2,320,226)</u>	<u>(40,122)</u>	<u>(2,360,348)</u>
Non-operating Revenues (Expenses)			
Federal grants	2,065,930	—	2,065,930
State grants	65,288	44,371	109,659
Donated commodities	286,016	—	286,016
Investment income	17,089	4,297	21,386
Loss on disposal	<u>(4,182)</u>	<u>—</u>	<u>(4,182)</u>
Total non-operating revenues (expenses)	<u>2,430,141</u>	<u>48,668</u>	<u>2,478,809</u>
Increase in Net Assets	109,915	8,546	118,461
Net Assets, July 1, 2003	<u>1,688,652</u>	<u>282,657</u>	<u>1,971,309</u>
Net Assets, June 30, 2004	\$ <u><u>1,798,567</u></u>	\$ <u><u>291,203</u></u>	\$ <u><u>2,089,770</u></u>

Daviess County School District

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2004

	School Food Services	Other Enterprise Fund After School Program	Total
Cash Flows From Operating Activities			
Cash received from			
Lunchroom sales	\$ 2,430,776	\$ —	\$ 2,430,776
Other activities	40,528	699,042	739,570
Cash paid to suppliers	(2,289,412)	(111,784)	(2,401,196)
Cash paid to employees	(1,945,189)	(603,009)	(2,548,198)
Cash paid for other expenses	<u>(181,888)</u>	<u>(18,653)</u>	<u>(200,541)</u>
Net cash used in operating activities	<u>(1,945,185)</u>	<u>(34,404)</u>	<u>(1,979,589)</u>
Cash Flows From Noncapital Financing Activities			
Cash received for operational grants	<u>1,958,175</u>	<u>44,371</u>	<u>2,002,546</u>
Net cash provided by noncapital financing activities	<u>1,958,175</u>	<u>44,371</u>	<u>2,002,546</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	<u>(63,404)</u>	<u>(35,859)</u>	<u>(99,263)</u>
Net cash used in capital and related financing activities	<u>(63,404)</u>	<u>(35,859)</u>	<u>(99,263)</u>
Cash Flows From Investing Activities			
Interest earned	<u>17,089</u>	<u>4,297</u>	<u>21,386</u>
Net cash provided by investing activities	<u>17,089</u>	<u>4,297</u>	<u>21,386</u>
Decrease in Cash and Cash Equivalents	(33,325)	(21,595)	(54,920)
Cash and Cash Equivalents, July 1, 2003	<u>1,103,910</u>	<u>272,435</u>	<u>1,376,345</u>
Cash and Cash Equivalents, June 30, 2004	\$ <u><u>1,070,585</u></u>	\$ <u><u>250,840</u></u>	\$ <u><u>1,321,425</u></u>

Daviess County School District

Statement of Cash Flows

Proprietary Funds (Continued)

Year Ended June 30, 2004

	School Food Services	Other Enterprise Fund After School Program	Total
Reconciliation of Operating Loss to Net Cash Used in Operations			
Loss from operations	\$ (2,320,226)	\$ (40,122)	\$ (2,360,348)
Adjustments to reconcile loss from operations to cash used in operating activities			
Depreciation	109,390	7,439	116,829
Commodities received	286,016	—	286,016
Increase in accounts receivable	—	(1,113)	(1,113)
Decrease in due from other funds	50,550	—	50,550
Increase in inventories	9,532	—	9,532
Increase in accounts payable and accrued liabilities	(85,768)	(608)	(86,376)
Increase in prepaid lunches	<u>5,321</u>	<u>—</u>	<u>5,321</u>
Net cash used in operating activities	\$ <u>(1,945,185)</u>	\$ <u>(34,404)</u>	\$ <u>(1,979,589)</u>

Summary of Noncash Noncapital Financing Activity

During the year, the District received \$286,016 of food commodities from the U. S. Department of Agriculture.

Daviess County School District

Statement of Fiduciary Net Assets

Fiduciary Funds

Year Ended June 30, 2004

	Agency (Activity) Funds	Private-Purpose Trust Funds	Total
Assets			
Cash and cash equivalents	\$ 1,347,688	\$ —	\$ 1,347,688
Accounts receivable	11,589	7,689	19,278
Inventories	<u>51,759</u>	<u>—</u>	<u>51,759</u>
Total assets	<u>1,411,036</u>	<u>7,689</u>	<u>1,418,725</u>
Liabilities			
Accounts payable	17,058	—	17,058
Funds due to other groups	1,393,978	—	1,393,978
Due to other funds	<u>—</u>	<u>5,092</u>	<u>5,092</u>
Total liabilities	<u>1,411,036</u>	<u>5,092</u>	<u>1,416,128</u>
Net Assets			
Held in trust for scholarships	<u>0</u>	<u>2,597</u>	<u>2,597</u>
Total net assets	<u>\$ 0</u>	<u>\$ 2,597</u>	<u>\$ 2,597</u>

Daviess County School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004

Additions	
Trustee contributions	\$ <u>39,613</u>
	39,613
Deductions	
Student support services	<u>43,435</u>
Net Decrease in Net Assets	(3,822)
Net Assets, Beginning of Year	<u>6,419</u>
Net Assets, End of Year	\$ <u><u>2,597</u></u>

Daviess County School District

Notes to Financial Statements

June 30, 2004

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Daviess County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Daviess County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined in Section 2100, Codification of Government Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, and the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as band boosters, parent-teacher associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements through blended presentation.

Daviess County School District Finance Corporation - On April 20, 1989, the Daviess County, Kentucky, Board of Education resolved to authorize the establishment of the Daviess County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities and related projects. The Board Members of the Daviess County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – the statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief

Daviess County School District

Notes to Financial Statements

June 30, 2004

explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expense with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and are presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

The **General Fund** is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. The General Fund carries a budgeted contingency of approximately \$3,500,000, which was not expended at June 30, 2004. The contingency zeros out the budgeted fund balance at June 30 as per Kentucky Department of Education requirements. This is a major fund of the District.

The **Special Revenue (Grant) Fund** accounts for proceeds of specific revenue sources (other than fiduciary activities or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs, as well as state grant programs, where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report. This is a major fund of the District.

Daviess County School District

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Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The **Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund** receives those funds designated by the state as Capital Outlay Funds, and is generally restricted for use in financing projects identified in the District's facility plan and for the corresponding debt service.

The **Facility Support Program of Kentucky Fund (FSPK)** accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan and for the corresponding debt service. This is a major fund of the District.

The **Construction Funds** account for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky law.

Proprietary Funds

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business. The District has two enterprise funds: the School Food Services Fund and the After School Program Fund.

The **School Food Services Fund** is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Services Fund is a major fund.

The **After School Program Fund** is used to account for after school programs established to provide supervised activities for children in the afternoon.

The District applies all applicable GASB pronouncements to proprietary funds, as well as specific FASB pronouncements issued before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Daviess County School District

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Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds).

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

The agency fund consists of activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with ***Uniform Program of Accounting for School Activity Funds***.

The private purpose trust funds can only be used to fund scholarships in accordance with established criteria of the funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party received essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year end.

Nonexchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource is required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue on both the accrual and nonaccrual basis of accounting.

Daviess County School District

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Delinquent property taxes receivable are recorded as deferred revenue on the modified accrual basis because they are considered unavailable.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District considers demand deposits, money market funds and other investments with an original maturity of 90 days or less, to be cash equivalents. At June 30, 2004, cash equivalents consisted primarily of money market accounts.

Property Taxes

Property taxes are levied annually by ordinance, usually in October on the assessed value listed as of the prior January 1, for all real and personal property in the District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2004 were 52.5 cents per \$100 valuation for real and personal property, and 49.0 cents per \$100 valuation for motor vehicles, of which 11.6 cents is for participation in Facility Support Program and 11.6 cents is an equivalent tax restricted to debt service and the construction of new facilities authorized in KRS 157.621 for qualifying growth districts.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Daviess County School District

Notes to Financial Statements

June 30, 2004

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets, business interruption errors and omissions, employee injuries and illnesses and natural disasters. The District has obtained insurance for workers' compensation, errors and omissions, general liability coverage, and commercial insurance for all other risks of loss. The District also purchases unemployment insurance. Settled claims have not exceeded commercial insurance coverage in any of the three preceding years.

Investments and Investment Income

The District's investment policy complies with applicable state statutes. Investments are carried at fair value. Fair value is determined using quoted market prices. Investment income includes interest income, and the net change for the year in the fair value of investments carried at fair value.

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Federal, state and local grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 208,226	\$ —
Grant drawdowns prior to meeting all eligibility requirements (special revenue funds)	<u>—</u>	<u>352,980</u>
	<u>\$ 208,226</u>	<u>\$ 352,980</u>

Inventories

Inventories are valued at cost, or fair market value for U. S. government commodities received, using the first-in, first-out method (FIFO). Inventories are expensed when used.

In the governmental funds balance sheet, reported inventories in the general fund are equally offset by a reserve which indicates that they do not constitute "available spendable resources", even though they are a component of total assets.

Daviess County School District

Notes to Financial Statements

June 30, 2004

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets, but are not reported in the fund financial statement balance sheet. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$25,000 for buildings, leasehold improvements and land improvements, a threshold of \$5,000 for software and vehicles and a threshold of \$1,000 for other capital assets. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Estimated Lives
Buildings	50 years
Building improvements	25 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5 – 10 years
General equipment	10 – 20 years
Food service equipment	12 years

Estimated useful lives are determined under guidelines issued by the Kentucky Department of Education.

Daviess County School District

Notes to Financial Statements

June 30, 2004

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to or due from other funds”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and fiduciary funds, which are presented as internal balances.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Compensated Absences

District policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Expense and the related liability are recognized as vacation benefits are earned. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. The liability is based on the District’s past experience of making termination payments.

Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date.

The entire compensated absence liability is reported on the district-wide financial statements.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal yearend and outstanding encumbrances at yearend are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year end is provided for at June 30, 2004. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

Daviess County School District

Notes to Financial Statements

June 30, 2004

On-behalf Fringe Benefit Payments

The Kentucky Department of Education (KDE) makes certain fringe benefit payments for District employees, such as teacher retirement employer match, health and life insurance, flexible spending and administrative fees. During 2004, the District received \$10,087,467 in on-behalf fringe benefit payments from KDE.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories, site based councils, technology expenditures and bond payment.

Net Assets

Net assets of the District are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors or grantors external to the District or have limitations imposed on their use through enabling legislation adopted by the District. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

Daviess County School District

Notes to Financial Statements

June 30, 2004

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and fees charged for the after school program.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Change in Accounting Principle

In 2004, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 40, *Deposit and Investment Risk Disclosures*. This new standard revises the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of GASBS 40 had no effect on the net assets and change in net assets in the current year.

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; obligations of the United States and of its agencies and instrumentalities, including any corporation of the United States government; bonds or certificates of indebtedness of the State of Kentucky and any of its agencies and instrumentalities; or securities issued by a state or local government or any instrumentalities or agency thereof in the United States and rated in one of the three highest categories by a nationally recognized rating agency.

Daviess County School District

Notes to Financial Statements

June 30, 2004

The District maintains a common checking account for all funds. School food services and after school program funds maintain additional deposit accounts.

At June 30, 2004, \$9,961,166 of the District's bank balances of \$10,061,166 were exposed to custodial credit risk as follows:

	<u>2004</u>
Uninsured and uncollateralized	\$ 2,012,471
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the District's name	<u>7,948,695</u>
	\$ <u><u>9,961,166</u></u>

Investments

The District may legally invest in certificates of deposit and other interest bearing accounts insured by the Federal Deposit Insurance Corporation (FDIC), uncollateralized certificates of deposit rated in one of the three highest categories by a nationally recognized rating agency; obligations of the United States and of its agencies and instrumentalities, including any corporation of the United States government, bonds or certificates of indebtedness of the State of Kentucky and any of its agencies and instrumentalities; or securities issued by a state or local government or any instrumentalities or agency thereof in the United States and rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency and certain mutual funds as more fully described in KRS 66.480.

At June 30, 2004, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1 – 5	6 – 10	More Than 10
U.S. Treasury obligations	\$ 1,401,750	\$ 1,401,750	\$ —	\$ —	\$ —
U. S. agencies obligations	7,684,279	386,111	2,399,374	3,999,201	899,593
Money market mutual funds	<u>2,306,485</u>	<u>2,306,485</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 11,392,514</u>	<u>\$ 4,094,346</u>	<u>\$ 2,399,374</u>	<u>\$ 3,999,201</u>	<u>\$ 899,593</u>

Daviess County School District

Notes to Financial Statements

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Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the District's policy to limit its investments in bonds to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The District, in accordance with KRS 66.480, limits the amount that may be invested at any time in uncollateralized certificates of deposit, bankers acceptances, commercial paper and securities issued by a state or local government or any instrumentality or agency thereof, to 20% of the total amount of funds invested by the District. At June 30, 2004, the District did not hold any investments of this type.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

Carrying value	
Deposits	\$ 6,130,429
Investments	<u>11,392,514</u>
	\$ <u>17,522,943</u>
Included in the following balance sheet captions	
Cash and cash equivalents	\$ 1,352,937
Restricted cash and investments	7,083,977
Investments	<u>9,086,029</u>
	\$ <u>17,522,943</u>

Due to the nature of the funds and limitations imposed by bond issue requirements, construction projects and federal financial assistance programs, cash within the following funds is considered restricted: SEEK Capital Outlay Fund, Facility Support Program Fund (FSPK), Debt Service Fund, Construction Funds and Special Revenue (Grant) Funds.

Investment Income

Investment income for the year ended June 30, 2004, consisted of:

Interest and dividend income	\$ 372,409
Net decrease in fair value of investments	(213,300)
Realized gain on sale of investments	11,528
Investment expenses	<u>(41,376)</u>
	\$ <u>129,261</u>

Daviess County School District
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June 30, 2004

Note 3: Capital Assets

Capital asset balances and activity for the fiscal year ended June 30, 2004, was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 2,628,328	\$ —	\$ —	\$ —	\$ 2,628,328
Land improvements	1,722,438	—	—	—	1,722,438
Buildings and improvements	79,069,542	1,108,477	—	1,409,771	81,587,730
Technology equipment	5,034,490	1,146,343	311,321	—	5,869,512
Vehicles	7,184,961	89,569	161,907	—	7,112,623
General equipment	2,152,620	198,288	36,432	—	2,314,476
Construction in progress	<u>1,790,913</u>	<u>8,778,858</u>	<u>—</u>	<u>(1,409,771)</u>	<u>9,160,060</u>
Totals at historical cost	99,583,292	11,321,535	509,660	—	110,395,167
Less accumulated depreciation	<u>(35,115,617)</u>	<u>(3,308,682)</u>	<u>(487,968)</u>	<u>—</u>	<u>(37,936,331)</u>
Governmental activities capital assets, net	\$ <u>64,467,675</u>	\$ <u>8,012,853</u>	\$ <u>21,692</u>	\$ <u>0</u>	\$ <u>72,458,836</u>

Business Type Activities	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Furniture and equipment	\$ 2,088,023	\$ 78,176	\$ 22,210	\$ —	\$ 2,143,989
Less accumulated depreciation	<u>(1,617,124)</u>	<u>(116,829)</u>	<u>(18,028)</u>	<u>—</u>	<u>(1,715,925)</u>
Business-type activities capital assets, net	\$ <u>470,899</u>	\$ <u>(38,653)</u>	\$ <u>4,182</u>	\$ <u>0</u>	\$ <u>428,064</u>

Daviess County School District

Notes to Financial Statements

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Depreciation expense for governmental activities is included in the following functional categories:

Instructional	\$ 2,630,430
Support services	
District administration	70,481
Student transportation	444,352
Plant operations and maintenance	<u>163,419</u>
	<u>\$ 3,308,682</u>

Note 4: Long-term Obligations

The following is a summary of long-term obligation transactions for the District for the year ended June 30, 2004:

Governmental Activities	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Long-term debt					
School building					
revenue bonds	\$ 38,480,000	\$ 27,100,000	\$(12,535,000)	\$ 53,045,000	\$ 3,540,000
Less deferred amounts					
For issuance discounts	(15,436)	(398,450)	24,989	(388,897)	(24,991)
On refunding	(365,370)	(1,118,999)	119,816	(1,364,553)	(119,817)
Notes payable	76,243	45,736	(38,391)	83,588	41,493
Capital lease obligations	<u>—</u>	<u>802,362</u>	<u>(103,260)</u>	<u>699,102</u>	<u>247,321</u>
Total long-term debt	<u>38,175,437</u>	<u>26,430,649</u>	<u>(12,531,846)</u>	<u>52,074,240</u>	<u>3,684,006</u>
Other long-term liabilities					
Accrued vacation pay	145,919	153,229	(62,050)	237,098	237,098
Accrued sick leave	<u>1,333,690</u>	<u>329,617</u>	<u>(328,363)</u>	<u>1,334,944</u>	<u>278,755</u>
Total other long-term liabilities	<u>1,479,609</u>	<u>482,846</u>	<u>(390,413)</u>	<u>1,572,042</u>	<u>515,853</u>
Total long-term obligations	<u>\$ 39,655,046</u>	<u>\$ 26,913,495</u>	<u>\$(12,922,259)</u>	<u>\$ 53,646,282</u>	<u>\$ 4,199,859</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Daviess County School District

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School Building Revenue Bonds

The amount shown in the accompanying financial statements as school building revenue bonds represents the District's future obligations to make lease payments relating to the bonds issued by the Daviess County Fiscal Court and the Daviess County School District Finance Corporation.

The issue date, the original amount of each issue and current and remaining interest rates follow:

Issue Date	Original Amount	Rates
December 1992	\$ 3,030,000	5.10 to 5.600%
May 1993	\$ 1,580,000	5.000%
November 1993	\$ 7,175,000	4.40 to 4.500%
May 1994	\$ 7,500,000	5.30 to 5.400%
August 1995	\$ 2,500,000	5.200%
June 1996	\$ 16,000,000	5.30 to 5.500%
April 1997	\$ 4,420,000	5.25 to 5.300%
June 1998	\$ 5,295,000	4.15 to 4.400%
April 2000	\$ 4,200,000	5.00 to 5.375%
March 2002	\$ 3,020,000	2.25 to 4.400%
December 2003	\$ 5,315,000	2.00 to 3.750%
July 2003	\$ 9,995,000	1.65 to 4.000%
March 2004	\$ 1,110,000	2.00 to 3.625%
March 2004	\$ 9,680,000	2.00 to 3.625%
June 2004	\$ 6,315,000	2.00 to 5.000%

The District is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Daviess County Fiscal Court and the Daviess County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In March 2004, the District issued \$1,110,000 in Refunding Revenue Bonds to advance refund \$1,000,000 of outstanding 1995 series bonds. The delivery of the bond issue was March 23, 2004. The proceeds, net of a discount of \$13,763 and payment of \$14,550 in underwriting fees, insurance and other issuance costs were used to purchase \$1,079,924 in U. S. government securities and \$1,763 in cash. Those securities and cash were deposited in an irrevocable trust with an escrow agent to provide for the defeasance of the 1995 bond series scheduled to begin maturity on August 1, 2008, the interest due on the 1995 series bond from August 1, 2004 to August 1, 2005. The 1995 bond series scheduled to begin maturity on August 1, 2008, will be redeemed early at a price of 102% of the principal amount redeemed on August 1, 2005. As a result, the 1995 bond series scheduled to begin maturity on August 1, 2008, is considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

Daviess County School District

Notes to Financial Statements

June 30, 2004

The District advance refunded the 1995 series bonds to reduce its total debt service payments over the next 12 years by approximately \$69,400 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$54,100.

In March 2004, the District issued \$9,680,000 in Refunding Revenue Bonds to advance refund \$8,450,000 of outstanding 1996 series bonds. The delivery of the bond issue was March 23, 2004. The proceeds, net of a discount of \$119,038 and payment of \$73,650 in underwriting fees, insurance, and other issuance costs were used to purchase \$9,487,108 in U. S. government securities and \$204 in cash. Those securities and cash were deposited in an irrevocable trust with an escrow agent to provide for the defeasance of the 1996 bond series scheduled to begin maturity on June 1, 2009, the interest due on the 1996 series bond on June 1, 2004 through June 1, 2006. The 1996 bond series scheduled to begin maturity on June 1, 2009, will be redeemed early at a price of 102% of the principal amount redeemed on June 1, 2006. As a result, the 1996 bond series scheduled to begin maturity on June 1, 2009, is considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The District advance refunded the 1996 series bonds to reduce its total debt service payments over the next 12 years by approximately \$611,100 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$519,300.

At June 30, 2004, \$9,450,000 of bonds outstanding are considered defeased.

The District has entered into participation agreements with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

Daviess County School District

Notes to Financial Statements

June 30, 2004

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2004, for debt service (principal and interest) are as follows:

Year	Daviess County School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
2004-05	\$ 2,495,003	\$ 1,868,322	\$ 1,044,997	\$ 256,418	\$ 5,664,740
2005-06	2,603,971	1,760,561	1,091,029	210,548	5,666,109
2006-07	2,700,938	1,652,480	1,139,062	162,002	5,654,482
2007-08	2,819,955	1,538,756	1,190,045	110,983	5,659,739
2008-09	2,823,957	1,423,933	556,043	72,989	4,876,922
2009-10	2,908,321	1,332,125	581,679	48,795	4,870,920
2010-11	3,015,186	1,232,072	224,814	23,276	4,495,348
2011-12	3,028,635	1,122,809	71,365	13,427	4,236,236
2012-13	2,918,932	1,014,371	46,068	10,867	3,990,238
2013-14	2,721,823	908,055	48,177	8,759	3,686,814
2014-15	2,204,583	801,526	50,417	6,518	3,063,044
2015-16	2,297,674	710,889	47,326	4,236	3,060,125
2016-17	1,534,592	607,410	40,408	2,142	2,184,552
2017-18	1,605,000	534,818	—	—	2,139,818
2018-19	1,670,000	464,833	—	—	2,134,833
2019-20	1,750,000	389,904	—	—	2,139,904
2020-21	1,835,000	301,350	—	—	2,136,350
2021-22	1,910,000	222,700	—	—	2,132,700
2022-23	1,995,000	140,900	—	—	2,135,900
2023-24	<u>2,075,000</u>	<u>55,450</u>	<u>—</u>	<u>—</u>	<u>2,130,450</u>
	<u>\$ 46,913,570</u>	<u>\$ 18,083,264</u>	<u>\$ 6,131,430</u>	<u>\$ 930,960</u>	<u>\$ 72,059,224</u>

Notes Payable

	<u>2004</u>
Installment note payable (A)	\$ 37,843
Note payable (B)	<u>45,745</u>
	83,588
Less current maturities	<u>41,493</u>
	<u>\$ 42,095</u>

(A) Note payable to IBM Corporation; due June 2007; payable \$3,174 quarterly, including interest at 5.013%; secured by computer equipment.

(B) Note payable to the U. S. Environmental Protection Agency; non-interest bearing; due in equal semiannual installments of \$15,248 until paid in full (December 2006).

Daviess County School District
Notes to Financial Statements
June 30, 2004

The debt service requirements as of June 30, 2004, are as follows:

	Total to be Paid	Principal	Interest
2005	\$ 43,193	\$ 41,493	\$ 1,700
2006	27,944	26,808	1,136
2007	12,696	12,153	543
2008	<u>3,173</u>	<u>3,134</u>	<u>39</u>
	<u>\$ 87,006</u>	<u>\$ 83,588</u>	<u>\$ 3,418</u>

The District maintains an operating line of credit in the amount of \$200,000 at its depository bank. There were no outstanding advances on the line as of June 30, 2004, nor were there any advances during the fiscal year ended June 30, 2004. The line of credit expired June 30, 2004.

Capital Lease Obligations

The District is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at June 30, 2004, totaled \$489,766, net of accumulated depreciation of \$55,030. In addition, the District had a deposit of \$257,853 with the leasing agent for computer equipment which was not received as of June 30, 2004. The following is a schedule by year of future minimum lease payments under capital lease obligations including interest at rates of 3.3% to 5.8%, together with the present value of the future minimum lease payments as of June 30, 2004:

2005	\$ 247,321
2006	250,981
2007	244,542
2008	<u>3,660</u>
Total minimum lease payments	746,504
Less amount representing interest	<u>47,402</u>
Present value of future minimum lease payments	<u>\$ 699,102</u>

Note 5: Accrued Sick Leave

Upon retirement from the school system, certified and classified employees with 27 or more years of experience will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2004, the accrued liability totaled \$1,334,944, which is reported on the district-wide financial statements.

Daviess County School District

Notes to Financial Statements

June 30, 2004

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. At June 30, 2004, the District did not have an accrued sick leave liability expected to be paid with expendable available resources. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

Note 6: Due From and Due To Other Funds

Due from and (due to) other funds at June 30, 2004, consisted of the following:

Fund	
General Fund	
Special revenue (grant) funds	\$ 153,819
Debt service fund	(47,785)
Fiduciary funds	<u>5,092</u>
Total general fund	<u>111,126</u>
Special Revenue (Grant) Funds	
General fund	<u>(153,819)</u>
Construction Fund	
Debt service fund	<u>14,167</u>
Nonmajor Governmental Funds	
General fund	47,785
Construction funds	<u>(14,167)</u>
	<u>33,618</u>
Fiduciary funds	<u>5,092</u>
	<u>\$ 0</u>

Summary of balances due from (to) other funds reported in fund financial statements:

Due from other funds, balance sheet –	
governmental funds	\$ 158,911
Due to other funds, balance sheet – governmental funds	(153,819)
Due to other funds, statement of fiduciary net assets	<u>(5,092)</u>
	<u>\$ 0</u>

Daviess County School District
Notes to Financial Statements
June 30, 2004

All interfund balances are comprised of short-term cash flow advances at June 30, 2004.

Note 7: Operating Leases

Noncancellable operating leases for equipment and vehicles expire in various years through 2008. These leases generally require the District to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at June 30, 2004, were:

2004-05	\$ 169,444
2005-06	124,404
2006-07	63,044
2007-08	<u>38,117</u>
Future minimum lease payments	<u>\$ 395,009</u>

Rental expense for operating leases was approximately \$169,400 for the year ended June 30, 2004.

Note 8: Retirement Plans

KTRS

Certified employees are covered under the Kentucky Teachers' Retirement System (KTRS), a cost-sharing multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. Cost-of-living adjustments (COLA) are 1-1/2% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly. KTRS was created by the 1938 General Assembly and is governed by Chapter 161, Sections 220 through 990 of the Kentucky Revised Statutes (KRS). The Kentucky Teachers' Retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Contribution rates are established by Kentucky Revised Statutes. Plan members are required to contribute 9.855% of their salaries and the State is required to contribute 13.105% of salaries. KRS 161.555 requires that school districts employing members whose position was established by federal programs to contribute an amount equal to the member's contribution. Matching contributions of \$237,136 were submitted by the District for employees employed by federal programs. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by KDE.

Daviess County School District

Notes to Financial Statements

June 30, 2004

The District's total payroll for the year was \$50,316,571. The payroll for employees covered under KTRS was \$36,993,329. For the year ended June 30, 2004, the Commonwealth contributed \$4,610,839 to KTRS for the benefit of District participating employees.

The District had no contribution requirements to KTRS for the years ended June 30, 2004, 2003 and 2002, other than for federal programs.

CERS

Substantially all other employees (classified personnel) are covered under the County Employees' Retirement System (CERS), a cost-sharing, multiple employer, defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems (KRS). CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may extend to beneficiaries of plan members under certain circumstances. COLA are provided at the discretion of the State Legislature. Section 61.645 of the Kentucky Revised Statutes assigns the authority to establish and amend benefit provisions to the KRS Board of Trustees. The KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 502 564-4646.

Plan members are required to contribute 5% of their annual creditable compensation and the District is required to contribute at an actuarially determined rate. The current rate is 7.34% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by KRS Board of Trustees. The District's contributions to CERS for the years ended June 30, 2004, 2003 and 2002, were \$916,990, \$748,087 and \$703,356, respectively, and equal the required contributions for each year.

Note 9: Construction Commitments

At June 30, 2004, the District was involved in construction projects totaling approximately \$15,780,000 for the construction of a new elementary school and additions/renovations to three elementary schools. Approximately \$6,139,000 remained to be completed on these projects at June 30, 2004. Subsequent to the year ended June 30, 2004, the Board approved construction projects totaling \$2,167,520 for bleachers and a PA system at an elementary school and additions for space including an early learning center.

Daviess County School District

Notes to Financial Statements

June 30, 2004

Note 10: Contingencies

Funding Sources

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Deferred Compensation Plans

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans, available to all eligible District employees, permit them to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death or hardship. The District anticipates no liability for losses under the plans, but has the duty of due care that would be required of an ordinary prudent investor, and this duty is managed by a third party administrator.

Investments are managed by the plan's trustee. The choice of the investment option(s) is made by the participants.

Litigation

The District is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the District.

COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

Daviess County School District

Notes to Financial Statements

June 30, 2004

Note 11: Operating Deficit

The following funds have operations that resulted in a current year excess of expenditures over revenues resulting in a corresponding reduction of fund balance:

General Fund	\$ (1,337,477)
Special Revenue Fund	\$ (6,511)

Note 12: Transfer of Funds

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology matching	\$ 94,984
Operating	General	Special Revenue	Community education match	10,000
Operating	SEEK Capital Outlay	Construction	Construction projects	618,971
Operating	FSPK	Debt Service	Debt service	\$ 3,672,731
Operating	General	Debt Service	Debt service	9,521
Operating	SEEK Capital Outlay	FSPK	Debt service	<u>30,497</u>
Total transfers				<u>\$ 4,439,704</u>

Daviess County School District

Notes to Financial Statements

June 30, 2004

Note 13: Annual Financial Report Differences

A reconciliation of the general fund cash and cash equivalents as reported on the annual financial report (an annual filing required by KDE) to the amount presented in the financial statements as of June 30, 2004, is as follows:

Cash and cash equivalents per annual financial report		\$ 480,406
Adjustments to		
To reclass credit balance in grant fund	\$ (153,819)	
To correct bond payment reimbursement on 2004 B issue	17,951	
To reclass credit balance in fiduciary fund	(5,092)	
To reclass general fund credit balance in operating account	47,785	
To adjust client reclass entry for cash equivalents in trust account	<u>(355,719)</u>	<u>(448,894)</u>
Cash and cash equivalents per governmental funds balance sheet		\$ <u>31,512</u>

Note 14: Future Changes in Accounting Principles

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and For Insurance Recoveries*. This statement requires certain disclosures when the value of a capital asset has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2004. The District does not expect the adoption of this statement to have a material effect on its financial statements.

**Required Supplementary Information
(Other than MD & A)**

Daviess County School District
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2004

General Fund				
Budgeted Amounts				Variance with Final Budget Over (Under)
Original	Final	Actual		
Revenues				
From local sources				
Taxes				
Property	\$ 11,504,341	\$ 11,839,341	\$ 11,747,136	\$ (92,205)
Motor vehicle	1,339,701	1,389,701	1,313,052	(76,649)
Delinquent	—	105,000	384,356	279,356
Distilled spirits	76,893	76,893	74,851	(2,042)
Public service				
company	698,769	675,916	470,184	(205,732)
Utilities	2,514,000	2,800,000	2,723,719	(76,281)
Tuition and fees	70,000	95,000	95,878	878
Earnings on investments	845,000	825,000	81,948	(743,052)
Other local revenues	545,000	560,000	471,008	(88,992)
Intergovernmental – state	<u>33,093,141</u>	<u>33,788,003</u>	<u>43,876,089</u>	<u>10,088,086</u>
Total revenues	<u>50,686,845</u>	<u>52,154,854</u>	<u>61,238,221</u>	<u>9,083,367</u>
Expenditures				
Instruction	30,168,889	33,776,105	41,335,020	7,558,915
Support services				
Student	1,781,123	1,767,541	2,140,194	372,653
Instructional staff	1,810,109	1,766,390	1,980,049	213,659
District				
administration	4,025,067	4,042,587	481,198	(3,561,389)
School				
administration	3,846,623	3,850,025	3,986,365	136,340
Business	1,016,024	791,782	821,181	29,399
Plant operations				
and				
maintenance	6,447,875	6,226,638	6,849,426	622,788
Student				
transportation	4,736,422	4,641,806	4,811,340	169,534
Central office	750,921	577,624	637,790	60,166
Community				
service	150,467	176,531	191,342	14,811
Facilities acquisition and				
construction	<u>310,062</u>	<u>170,000</u>	<u>91,260</u>	<u>(78,740)</u>
Total expenditures	<u>55,043,582</u>	<u>57,787,029</u>	<u>63,325,165</u>	<u>5,538,136</u>

Daviess County School District
Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2004

	General Fund			
	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
Excess (deficit) of revenues over expenditures	\$ <u>(4,356,737)</u>	\$ <u>(5,632,175)</u>	\$ <u>(2,086,944)</u>	\$ <u>3,545,231</u>
Other financing sources (uses)				
Proceeds – sale of fixed assets	10,000	15,000	15,874	874
Proceeds of debt issuance	—	—	45,736	45,736
Proceeds of debt – capital lease obligations	—	—	802,362	802,362
Operating transfers out	<u>(435,791)</u>	<u>(96,000)</u>	<u>(114,505)</u>	<u>(18,505)</u>
Total other financing sources (uses)	<u>(425,791)</u>	<u>(81,000)</u>	<u>749,467</u>	<u>830,467</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(4,782,528)	(5,713,175)	(1,337,477)	4,375,698
Fund Balance, July 1, 2003	<u>4,782,528</u>	<u>5,713,175</u>	<u>5,713,175</u>	<u>—</u>
Fund Balance, June 30, 2004	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,375,698</u>	\$ <u>4,375,698</u>

**Daviess County School District
Budgetary Comparison Schedule
Special Revenue (Grant) Funds
Year Ended June 30, 2004**

	Special Revenue (Grant) Funds			
	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Local sources	\$ —	\$ 379,063	\$ 378,174	\$ (889)
Intergovernmental – state	2,749,584	2,952,109	3,528,300	576,191
Intergovernmental – indirect federal	3,716,568	4,226,213	4,105,633	(120,580)
Intergovernmental – direct federal	—	—	59,015	59,015
Total revenues	<u>6,466,152</u>	<u>7,557,385</u>	<u>8,071,122</u>	<u>513,737</u>
Expenditures				
Current				
Instruction	5,926,778	6,511,145	6,884,746	373,601
Support services				
Student	—	297,465	297,465	—
District administration	—	14,880	25,648	10,768
School adminis-tration	—	—	1,089	1,089
Plant operations and maintenance	—	12,824	245	(12,579)
Student trans- portation	1,753	201,238	351,396	150,158
Community service	<u>537,621</u>	<u>624,817</u>	<u>622,028</u>	<u>(2,789)</u>
Total expenditures	<u>6,466,152</u>	<u>7,662,369</u>	<u>8,182,617</u>	<u>520,248</u>
Excess (deficit) of revenues over expenditures	<u>—</u>	<u>(104,984)</u>	<u>(111,495)</u>	<u>6,511</u>
Other financing sources (uses)				
Operating transfers in	<u>—</u>	<u>104,984</u>	<u>104,984</u>	<u>—</u>
Total other financing sources (uses)	<u>0</u>	<u>104,984</u>	<u>104,984</u>	<u>0</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>—</u>	<u>—</u>	<u>(6,511)</u>	<u>(6,511)</u>
Fund Balance, July 1, 2003	<u>—</u>	<u>—</u>	<u>25,831</u>	<u>25,831</u>
Fund Balance, June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,320</u>	<u>\$ 19,320</u>

Daviess County School District
Budgetary Comparison Schedule
FSPK Funds
Year Ended June 30, 2004

	FSPK			
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
Revenues				
From local sources				
Taxes				
Property	\$ 2,806,029	\$ 2,806,029	\$ 2,806,029	\$ —
Motor vehicle	343,513	343,513	343,513	—
Distilled spirits	18,093	18,093	18,093	—
Public service company	164,416	164,416	164,416	—
Earnings on investments	5,000	5,000	5,000	—
Intergovernmental – state	<u>922,289</u>	<u>958,525</u>	<u>958,525</u>	<u>—</u>
Total revenues	<u>4,259,340</u>	<u>4,295,576</u>	<u>4,295,576</u>	<u>—</u>
Expenditures				
Facility acquisitions and construction	<u>5,546,630</u>	<u>5,582,866</u>	<u>6,293</u>	<u>(5,576,573)</u>
Total expenditures	<u>5,546,630</u>	<u>5,582,866</u>	<u>6,293</u>	<u>(5,576,573)</u>
Excess (deficit) of revenues over expenditures	<u>(1,287,290)</u>	<u>(1,287,290)</u>	<u>4,289,283</u>	<u>5,576,573</u>
Other Financing Sources (Uses)				
Operating transfers out	<u>—</u>	<u>—</u>	<u>(3,672,731)</u>	<u>3,672,731</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(3,672,731)</u>	<u>3,672,731</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(1,287,290)</u>	<u>(1,287,290)</u>	<u>616,552</u>	<u>1,903,842</u>
Fund Balance, July 1, 2003	<u>1,287,290</u>	<u>1,287,290</u>	<u>1,287,290</u>	<u>—</u>
Fund Balance, June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,903,842</u>	<u>\$ 1,903,842</u>

Daviess County School District
Budgetary Comparison Schedule
Construction Funds
Year Ended June 30, 2004

	Construction			
	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Over (Under)
Revenues				
Earnings on investments	\$ _____ —	\$ _____ —	\$ _____ 47,292	\$ _____ 47,292
Total revenues	_____ 0	_____ 0	_____ 47,292	_____ 47,292
Expenditures				
Facility acquisition and construction	_____ —	6,178,550	10,003,855	3,825,305
Debt issuance costs	_____ —	_____ —	_____ 110,740	_____ 110,740
Total expenditures	_____ 0	_____ 6,178,550	_____ 10,114,595	_____ 3,936,045
Excess (deficit) of revenues over expenditures	_____ 0	_____ (6,178,550)	_____ (10,067,303)	_____ 3,888,753
Other Financing Sources (Uses)				
Proceeds from sale of bonds	_____ —	6,178,550	16,310,000	10,131,450
Discount on bonds	_____ —	_____ —	(265,648)	(265,648)
Operating transfers in	_____ —	_____ —	_____ 618,971	_____ 618,971
Total other financing sources	_____ 0	_____ 6,178,550	_____ 16,663,323	_____ 10,484,773
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	_____ —	_____ —	6,596,020	6,596,020
Fund Balance, July 1, 2003	_____ —	_____ —	_____ (879,917)	_____ (879,917)
Fund Balance, June 30, 2004	\$ _____ 0	\$ _____ 0	\$ _____ 5,716,103	\$ _____ 5,716,103

Daviess County School District
Note to Required Supplementary Information
Year Ended June 30, 2004

Note 1: Summary of Significant Accounting Policies

Budgetary Process

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the special revenue (grant) funds and capital project funds. The annual budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for on-behalf payments. The KDE does not permit Kentucky school districts to budget on-behalf payments. The District's original budgetary process accounts for certain transactions on a basis other than U. S. GAAP. The major difference between the budgetary basis and the U. S. GAAP basis is that special revenue funds and certain capital project funds adopt grant or project-length budgets. During the final budget process, the budget for these funds are adjusted to GAAP basis. All annual appropriations lapse at fiscal year end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the KDE. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

Reconciliation Between the Budgetary Basis of Accounting and GAAP

A basis difference exists in the general fund between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District. The difference relates to on-behalf payments. The KDE prohibits Kentucky school districts from including on-behalf payments in the budget process. Line item differences are as follows:

	Budget Basis		GAAP Basis		Difference
Revenues					
Intergovernmental – state	\$ 33,788,003	\$	43,875,470	\$	10,087,467
Expenditures					
Instruction	\$ 33,776,105	\$	40,985,746	\$	7,209,641
Support services					
Student	\$ 1,767,541	\$	2,147,208	\$	379,667
Instructional staff	\$ 1,766,390	\$	2,041,881	\$	275,491
District administration	\$ 4,042,587	\$	4,093,740	\$	51,153
School administration	\$ 3,850,025	\$	4,494,394	\$	644,369
Business	\$ 791,782	\$	879,814	\$	88,032
Plant operations and maintenance	\$ 6,226,638	\$	6,862,588	\$	635,950
Student transportation	\$ 4,641,806	\$	5,357,563	\$	715,757
Central office	\$ 577,624	\$	645,083	\$	67,459
Community service	\$ 176,531	\$	196,479	\$	19,948

Daviess County School District
Note to Required Supplementary Information
Year Ended June 30, 2004

Budgetary Expenditures in Excess of Appropriations

The general fund and special revenue (grant) funds have expenditures in excess of appropriations for the year ended June 30, 2004. The excess special revenue funds expenditures are a result of the technology grant fund balance as of July 1, 2004, which was available to purchase technology related items during the year.

Daviess County School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	SEEK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Due from other funds	\$ —	\$ 33,618	\$ 33,618
Restricted cash and cash equivalents	<u>319,783</u>	<u>38,885</u>	<u>358,668</u>
Total assets	<u>\$ 319,783</u>	<u>\$ 72,503</u>	<u>\$ 392,286</u>
Liabilities			
Accounts payable	\$ —	\$ 20,934	\$ 20,934
Total liabilities	<u>0</u>	<u>20,934</u>	<u>20,934</u>
Fund Balances			
Fund balances			
Reserved for encumbrances	319,783	—	319,783
Reserved for bond payment	<u>—</u>	<u>51,569</u>	<u>51,569</u>
Total fund balances	<u>319,783</u>	<u>51,569</u>	<u>371,352</u>
Total liabilities and fund balances	<u>\$ 319,783</u>	<u>\$ 72,503</u>	<u>\$ 392,286</u>

Daviess County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2004

	SEEK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Earnings on investments	\$ 2,000	\$ —	\$ 2,000
Intergovernmental – state	<u>963,140</u>	<u>1,300,704</u>	<u>2,263,844</u>
Total revenues	<u>965,140</u>	<u>1,300,704</u>	<u>2,265,844</u>
Expenditures			
Capital outlay			
Facilities acquisition and construction	1,300	—	1,300
Debt service			
Principal	—	3,123,390	3,123,390
Interest	—	1,838,494	1,838,494
Debt issuance costs	<u>—</u>	<u>88,200</u>	<u>88,200</u>
Total expenditures	<u>1,300</u>	<u>5,050,084</u>	<u>5,051,384</u>
Excess (deficit) of revenues over expenditures	<u>963,840</u>	<u>(3,749,380)</u>	<u>(2,785,540)</u>
Other Financing Sources (Uses)			
Proceeds of refunding bonds	—	10,790,000	10,790,000
Payment to refund bond escrow	—	(10,568,999)	(10,568,999)
Discount on refunded bond	—	(132,801)	(132,801)
Operating transfers in	—	3,712,749	3,712,749
Operating transfers out	<u>(649,468)</u>	<u>—</u>	<u>(649,468)</u>
Total other financing sources (uses)	<u>(649,468)</u>	<u>3,800,949</u>	<u>3,151,481</u>
Excess of revenues and other financing sources over expenditures and other financing uses	314,372	51,569	365,941
Fund Balance, July 1, 2003	<u>5,411</u>	<u>—</u>	<u>5,411</u>
Fund Balance, June 30, 2004	<u>\$ 319,783</u>	<u>\$ 51,569</u>	<u>\$ 371,352</u>

Other Supplementary Information

Daviess County School District
Budgetary Comparison Schedule
SEEK Capital Outlay
Year Ended June 30, 2004

	SEEK Capital Outlay			
	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Earnings on investments	\$ 2,000	\$ 2,000	\$ 2,000	\$ —
Intergovernmental – state	<u>949,839</u>	<u>963,140</u>	<u>963,140</u>	<u>—</u>
Total revenue	<u>951,839</u>	<u>965,140</u>	<u>965,140</u>	<u>0</u>
Expenditures				
Other acquisitions	<u>409,058</u>	<u>422,359</u>	<u>1,300</u>	<u>(421,059)</u>
Total expenditures	<u>409,058</u>	<u>422,359</u>	<u>1,300</u>	<u>(421,059)</u>
Excess of revenues over expenditures	<u>542,781</u>	<u>542,781</u>	<u>963,840</u>	<u>421,059</u>
Other Financing Sources (Uses)				
Operating transfers out	<u>(548,192)</u>	<u>(548,192)</u>	<u>(649,468)</u>	<u>101,276</u>
Total other financing sources (uses)	<u>(548,192)</u>	<u>(548,192)</u>	<u>(649,468)</u>	<u>101,276</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(5,411)	(5,411)	314,372	319,783
Fund Balance, July 1, 2003	<u>5,411</u>	<u>5,411</u>	<u>5,411</u>	<u>—</u>
Fund Balance, June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 319,783</u>	<u>\$ 319,783</u>

Daviess County School District
Combining Schedule of Revenues, Expenditures and Fund Balances
Debt Service Fund
Year Ended June 30, 2004

	January 1992 Issue	December 1992 Issue	May 1993 Issue
Revenues			
Intergovernmental – state			
Transfers from school facilities			
construction commission			
For retirement of bonds	\$ 17,327	\$ —	\$ —
For payment of interest	<u>1,005</u>	<u>—</u>	<u>—</u>
Total revenues	<u>18,332</u>	<u>0</u>	<u>0</u>
Expenditures			
Payment of bonds and notes	150,000	145,000	45,000
Payment of interest	8,700	30,233	4,750
Debt issuance costs	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>158,700</u>	<u>175,233</u>	<u>49,750</u>
Deficit of revenues over expenditures	<u>(140,368)</u>	<u>(175,233)</u>	<u>(49,750)</u>
Other Financing Sources			
Proceeds of refunding bonds			
Operating transfers in			
Transfers from FSPK Fund	140,368	175,233	49,750
Transfers from General Fund	—	—	—
Transfers from SEEK Capital Outlay	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources	<u>140,368</u>	<u>175,233</u>	<u>49,750</u>
Other Financing Uses			
Discount on refunding bond	—	—	—
Payment to refunded bond escrow agent	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Daviess County School District
Combining Schedule of Revenues, Expenditures and Fund Balances
Debt Service Fund (Continued)
Year Ended June 30, 2004

	November 1993 Issue	May 1994 Issue	August 1995 Issue	June 1996 Issue
Revenues				
Intergovernmental – state				
Transfers from school facilities				
construction commission				
For retirement of bonds	\$ 546,584	\$ —	\$ 9,257	\$ —
For payment of interest	<u>122,447</u>	<u>—</u>	<u>8,204</u>	<u>—</u>
Total revenues	<u>669,031</u>	<u>0</u>	<u>17,461</u>	<u>0</u>
Expenditures				
Payment of bonds and notes	665,000	345,000	80,000	665,000
Payment of interest	149,180	37,995	73,595	436,333
Debt issuance costs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>814,180</u>	<u>382,995</u>	<u>153,595</u>	<u>1,101,333</u>
Deficit of revenues over expenditures	<u>(145,149)</u>	<u>(382,995)</u>	<u>(136,134)</u>	<u>(1,101,333)</u>
Other Financing Sources				
Proceeds of refunding bonds				
Operating transfers in				
Transfers from FSPK Fund	145,149	382,995	136,134	1,101,333
Transfers from General Fund	—	—	—	—
Transfers from SEEK Capital Outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources	<u>145,149</u>	<u>382,995</u>	<u>136,134</u>	<u>1,101,333</u>
Other Financing Uses				
Discount on refunding bond	—	—	—	—
Payment to refunded bond escrow agent	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Daviess County School District
Combining Schedule of Revenues, Expenditures and Fund Balances
Debt Service Fund (Continued)
Year Ended June 30, 2004

	April 1997 Issue	June 1998 Issue	April 2000 Issue	March 2002 Issue
Revenues				
Intergovernmental – state				
Transfers from school facilities				
construction commission				
For retirement of bonds	\$ 19,114	\$ 401,718	\$ —	\$ 3,320
For payment of interest	<u>20,361</u>	<u>143,828</u>	<u>—</u>	<u>7,539</u>
Total revenues	<u>39,475</u>	<u>545,546</u>	<u>0</u>	<u>10,859</u>
Expenditures				
Payment of bonds and notes	185,000	470,000	105,000	35,000
Payment of interest	185,108	171,469	203,836	116,599
Debt issuance costs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>370,108</u>	<u>641,469</u>	<u>308,836</u>	<u>151,599</u>
Deficit of revenues over expenditures	<u>(330,633)</u>	<u>(95,923)</u>	<u>(308,836)</u>	<u>(140,740)</u>
Other Financing Sources				
Proceeds of refunding bonds				
Operating transfers in				
Transfers from FSPK Fund	330,633	95,923	308,836	140,740
Transfers from General Fund	—	—	—	—
Transfers from SEEK Capital Outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources	<u>330,633</u>	<u>95,923</u>	<u>308,836</u>	<u>140,740</u>
Other Financing Uses				
Discount on refunding bond	—	—	—	—
Payment to refunded bond escrow agent	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Daviess County School District
Combining Schedule of Revenues, Expenditures and Fund Balances
Debt Service Fund (Continued)
Year Ended June 30, 2004

	December 2002 Issue	July 2003 Issue	2004 Issue Series A	2004 Issue Series B
Revenues				
Intergovernmental – state				
Transfers from school facilities				
construction commission				
For retirement of bonds	\$ —	\$ —	\$ —	\$ —
For payment of interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Payment of bonds and notes	75,000	—	—	120,000
Payment of interest	174,917	189,501	—	54,650
Debt issuance costs	<u>—</u>	<u>—</u>	<u>14,550</u>	<u>73,650</u>
Total expenditures	<u>249,917</u>	<u>189,501</u>	<u>14,550</u>	<u>248,300</u>
Deficit of revenues over expenditures	<u>(249,917)</u>	<u>(189,501)</u>	<u>(14,550)</u>	<u>(248,300)</u>
Other Financing Sources				
Proceeds of refunding bonds	—	—	1,110,000	9,680,000
Operating transfers in				
Transfers from FSPK Fund	249,917	223,119	—	192,601
Transfers from General fund	—	—	—	—
Transfers from SEEK Capital Outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources	<u>249,917</u>	<u>223,119</u>	<u>1,110,000</u>	<u>9,872,601</u>
Other Financing Uses				
Discount on refunding bond	—	—	13,763	119,038
Payment to refunded bond escrow agent	<u>—</u>	<u>—</u>	<u>1,081,687</u>	<u>9,487,312</u>
Total other financing uses	<u>0</u>	<u>0</u>	<u>1,095,450</u>	<u>9,606,350</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>33,618</u>	<u>0</u>	<u>17,951</u>
Fund Balances, July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, June 30, 2004	<u>\$ 0</u>	<u>\$ 33,618</u>	<u>\$ 0</u>	<u>\$ 17,951</u>

Daviess County School District
Combining Schedule of Revenues, Expenditures and Fund Balances
Debt Service Fund (Continued)
Year Ended June 30, 2004

	2004 Issue Series C	EPA Loans	IBM Installment Note	Totals
Revenues				
Intergovernmental – state				
Transfers from school facilities				
construction commission				
For retirement of bonds	\$ —	\$ —	\$ —	\$ 997,320
For payment of interest	—	—	—	303,384
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,300,704</u>
Expenditures				
Payment of bonds and notes	—	30,497	7,893	3,123,390
Payment of interest	—	—	1,628	1,838,494
Debt issuance costs	—	—	—	88,200
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>0</u>	<u>30,497</u>	<u>9,521</u>	<u>5,050,084</u>
Deficit of revenues over expenditures	<u>0</u>	<u>(30,497)</u>	<u>(9,521)</u>	<u>(3,749,380)</u>
Other Financing Sources				
Proceeds of refunding bonds	—	—	—	10,790,000
Operating transfers in				
Transfers from FSPK Fund	—	—	—	3,672,731
Transfers from General Fund	—	—	9,521	9,521
Transfers from SEEK Capital Outlay	—	30,497	—	30,497
	<u>—</u>	<u>30,497</u>	<u>—</u>	<u>30,497</u>
Total other financing sources	<u>0</u>	<u>30,497</u>	<u>9,521</u>	<u>14,502,749</u>
Other Financing Uses				
Discount on refunding bond	—	—	—	132,801
Payment to refunded bond escrow agent	—	—	—	10,568,999
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,701,800</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>51,569</u>
Fund Balances, July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,569</u>

Daviess County School District
Combining Schedule of Revenues, Expenditures and Fund Balances
School Activity Funds
Year Ended June 30, 2004

	Cash Balance		Total	Cash Balance	A/R	A/P	Fund
	30-Jun-03	Total Receipts	Disbursements	30-Jun-04	30-Jun-04	30-Jun-04	Balances
							30-Jun-04
Apollo High School	\$ 228,927	\$ 833,731	\$ 820,854	\$ 241,802	\$ 2,360	\$ 102	\$ 244,060
Audubon Elementary	22,400	68,708	76,302	14,806	94	—	14,900
Beacon Central	10,766	17,669	16,109	12,326	—	—	12,326
Burns Middle School	85,588	211,778	219,496	77,870	1,962	—	79,832
Burns Elementary							
School	39,942	42,859	37,609	45,192	—	—	45,192
College View Middle							
School	119,882	281,555	282,164	119,273	—	2,333	116,940
Country Heights							
Elementary	79,543	69,158	73,062	75,639	—	—	75,639
Daviess County Middle	65,390	271,036	271,266	65,160	—	—	65,160
Daviess County High							
School	467,322	1,065,692	1,086,715	446,299	3,066	14,623	434,742
Highland Elementary	38,648	128,034	115,100	51,582	3,846	—	55,428
Eastview	46,427	52,765	45,151	54,041	—	—	54,041
Deerpark	32,934	32,744	41,798	23,880	99	—	23,979
Philpot Elementary	4,827	36,760	36,060	5,527	—	—	5,527
Sorgho Elementary	17,591	30,905	35,574	12,922	162	—	13,084
Tamarack Elementary	34,132	87,740	83,633	38,239	—	—	38,239
Utica Elementary	9,382	32,594	31,825	10,151	—	—	10,151
West Louisville							
Elementary	28,349	14,471	14,154	28,666	—	—	28,666
Whitesville Elementary	<u>31,702</u>	<u>40,307</u>	<u>47,696</u>	<u>24,313</u>	<u>—</u>	<u>—</u>	<u>24,313</u>
Totals	\$ <u>1,363,752</u>	\$ <u>3,318,506</u>	\$ <u>3,334,568</u>	\$ <u>1,347,688</u>	\$ <u>11,589</u>	\$ <u>17,058</u>	\$ <u>1,342,219</u>

Daviess County School District
Schedule of Receipts, Disbursements and Fund Balances
Apollo High School Activity Funds
Year Ended June 30, 2004

	Cash Balance 06/30/03	Receipts	Disburse- ments	Transfers	Cash Balance 06/30/04	A/R	A/P	Fund Balances 6/30/04
GENERAL FUND	\$ 3,094	\$ 15	\$ (15)	\$ (1,367)	\$ 1,727	\$ —	\$ —	\$ 1,727
OFFICE	9,693	378	(22,294)	16,892	4,669	—	(102)	4,567
AHS ALUMNI	10	—	—	—	10	—	—	10
AP EXAMS	1,220	9,742	(9,235)	(1,000)	727	—	—	727
BANQUET	—	2,000	(1,145)	(855)	—	—	—	—
BAND UNIFORMS	750	—	—	—	750	—	—	750
GRADUATION	—	—	(6,339)	6,339	—	—	—	—
PROM	—	7,279	(4,800)	(211)	2,268	—	—	2,268
COMPUTER	1,661	—	(1,513)	1,284	1,432	—	—	1,432
CONTINGENCY	10,046	—	(1,608)	21,613	30,051	—	—	30,051
FUNDRAISER	—	11,674	(6,619)	(5,055)	—	—	—	—
GUIDANCE	461	2,313	(3,728)	1,406	452	—	—	452
INTERNATIONAL BACCAL	2,978	3,872	(6,174)	1,506	2,182	—	—	2,182
INTERMURAL	1,275	896	(824)	(1,000)	347	—	—	347
INTEREST	270	3,619	—	(3,889)	—	—	—	—
LOCKS	145	48	(33)	—	160	—	—	160
NECESSITIES	90	60	(38)	—	112	—	—	112
OVER YOUR HEAD	556	1,082	(896)	88	830	—	—	830
PROJECT GRADUATION	53	5,034	(4,764)	(323)	—	—	—	—
RENNAISSANCE	—	1,814	(6,878)	5,064	—	—	—	—
CHALLENGER	2,387	1,660	(3,449)	125	723	—	—	723
SPECIAL TOPICS	1,028	607	(1,111)	483	1,007	—	—	1,007
TEXAS GAS	25	—	—	—	25	—	—	25
VIDEO YEARBOOK	2,429	1,927	(1,331)	(109)	2,916	—	—	2,916
CAREER OPTIONS	—	—	(89)	89	—	—	—	—
YEARBOOK	8,153	10,996	(8,308)	(835)	10,006	—	—	10,006
STUDENT ASSISTANCE	2,265	629	(1,882)	(264)	748	—	—	748
STUDENT VENDING	14,225	17,912	(16,946)	(7,357)	7,834	2,360	—	10,194
ADULT VENDING	1,580	2,705	(1,553)	—	2,732	—	—	2,732
ADULT SCRIPT	—	31,697	(32,591)	1,803	909	—	—	909
ATHLETIC DIRECTOR	—	—	(645)	645	—	—	—	—
BOYS BASKETBALL	142	27,384	(37,144)	10,288	670	—	—	670
ATHLETIC BOOSTER	3,136	51,791	(28,047)	(25,840)	1,040	—	—	1,040
BASEBALL/LT	8,865	7,880	(7,696)	(4,249)	4,800	—	—	4,800
BASEBALL	—	15,632	(25,769)	10,287	150	—	—	150
BOYS CROSS COUNTRY	—	1,876	(3,205)	1,583	254	—	—	254
GIRLS CROSS COUNTRY	—	6,740	(8,805)	2,078	13	—	—	13
CHEERLEADERS	4,476	16,144	(19,245)	4,483	5,858	—	—	5,858
E-GALS	2,867	3,755	(521)	(3,000)	3,101	—	—	3,101
EAGLETES	3,056	16,350	(24,873)	7,198	1,731	—	—	1,731
FOOTBALL	—	6,903	(28,807)	22,564	660	—	—	660
FIELD MAINTENANCE	—	—	(1,968)	1,968	—	—	—	—
GENERAL ATHLETICS	16,486	6,076	(22,962)	6,519	6,119	—	—	6,119
GIRLS BASKETBALL	989	6,741	(18,689)	11,042	83	—	—	83
GIRLS GOLF	—	402	(1,818)	1,416	—	—	—	—
BOYS GOLF	—	375	(2,092)	1,732	15	—	—	15
GATE	—	75,170	(10,874)	(64,296)	—	—	—	—
VENDING MACHINES	—	209	—	(150)	59	—	—	59
GIRLS TRACK	—	1,050	(4,128)	3,078	—	—	—	—

Daviess County School District
Schedule of Receipts, Disbursements and Fund Balances
Apollo High School Activity Funds (Continued)
Year Ended June 30, 2004

	Cash Balance 06/30/03	Receipts	Disburse- ments	Transfers	Cash Balance 06/30/04	A/R	A/P	Fund Balances 6/30/04
SOFTBALL	\$ 1,131	3,348	(6,272)	3,959	2,166	—	—	2,166
GIRLS SOCCER	—	—	(4,455)	4,455	—	—	—	—
BOYS SOCCER	—	—	(4,491)	4,491	—	—	—	—
SPORTS PROGRAMS	—	7,915	(709)	(7,030)	176	—	—	176
SUPPLY STORE	3,329	17,542	(14,706)	(5,488)	677	—	—	677
SWIM TEAM/G&B	—	1,480	(2,149)	669	—	—	—	—
TENNIS/B&G	—	1,164	(4,192)	3,404	376	—	—	376
BOYS TRACK	445	778	(3,084)	2,843	982	—	—	982
ATHLETIC VENDING	—	6,418	—	(6,418)	—	—	—	—
VOLLEYBALL	2,822	20,839	(23,702)	2,984	2,943	—	—	2,943
STATE TOURNEY FUND	—	7,793	(2,984)	(4,809)	—	—	—	—
REGIONAL	—	43,562	(39,975)	(3,587)	—	—	—	—
ART CLUB	194	—	—	—	194	—	—	194
BETA	322	4,147	(3,857)	27	639	—	—	639
CHESS	—	—	(104)	104	—	—	—	—
DRAMA	842	4,974	(6,997)	1,181	—	—	—	—
COUNCIL FOR EX CHILD	788	2,600	(2,522)	(23)	843	—	—	843
FFA ALUMNI	1,292	1,871	—	—	3,163	—	—	3,163
FBLA	1,040	6,900	(7,919)	989	1,010	—	—	1,010
FCA	80	—	(48)	—	32	—	—	32
FUTURE ED OF AMERICA	100	—	—	—	100	—	—	100
FFA	4,502	35,636	(38,953)	(117)	1,068	—	—	1,068
FCCLA	130	5,404	(4,708)	(4)	822	—	—	822
FILM CLUB	5	—	—	—	5	—	—	5
HABITAT	59	1,046	(1,050)	—	55	—	—	55
ACADEMIC TEAM	864	7,482	(7,365)	46	1,027	—	—	1,027
KEY CLUB	234	1,445	(1,358)	—	321	—	—	321
NATIONAL HONOR SOCIETY	726	2,503	(2,156)	(373)	700	—	—	700
PTSO	194	1,073	(1,021)	—	246	—	—	246
ROTC BOOSTER	1,855	2,489	(1,720)	(1,163)	1,461	—	—	1,461
STUDENTS FOR LIFE	—	557	(329)	(6)	222	—	—	222
STUDENT COUNCIL	4,289	4,228	(3,684)	(652)	4,181	—	—	4,181
SADD	163	448	(450)	(17)	144	—	—	144
CSI	15	—	—	—	15	—	—	15
SPIRIT	228	5,229	(5,084)	(15)	358	—	—	358
COED-Y	—	3,616	(3,561)	(2)	53	—	—	53
YOUNG DEMOCRATS	18	—	—	—	18	—	—	18
TSA	398	2,606	(1,835)	(38)	1,131	—	—	1,131
AIR FORCE	8,345	4,918	(7,089)	8,594	14,768	—	—	14,768
AG	—	—	(2,453)	3,095	642	—	—	642
ART	1,649	—	(4,196)	2,619	72	—	—	72
BAND	7,494	83,259	(89,594)	(674)	485	—	—	485
BUSINESS	153	—	(2,824)	2,671	—	—	—	—
CHORUS	2,797	12,795	(12,447)	499	3,644	—	—	3,644
CAREER TRANSITION	76	—	(220)	144	—	—	—	—
DRIVER ED	—	25	(3,910)	3,885	—	—	—	—
ENGLISH	24	29	(414)	889	528	—	—	528

Daviess County School District
Schedule of Receipts, Disbursements and Fund Balances
Apollo High School Activity Funds (Continued)
Year Ended June 30, 2004

	Cash Balance 06/30/03	Receipts	Disburse- ments	Transfers	Cash Balance 06/30/04	A/R	A/P	Fund Balances 6/30/04
FINE ARTS	\$ 56	\$ —	\$ (949)	\$ 924	\$ 31	\$ —	\$ —	31
FOREIGN LANGUAGE	1,580	1,015	(4,086)	1,601	110	—	—	110
FMD	360	23	(505)	252	130	—	—	130
GREENHOUSE	6,313	4,515	(3,014)	1,940	9,754	—	—	9,754
CONSUMER SCIENCE	—	—	(2,475)	3,036	561	—	—	561
MATH	434	764	(1,298)	518	418	—	—	418
MMD	620	892	(1,560)	447	399	—	—	399
ORCHESTRA	359	1,325	(1,634)	423	473	—	—	473
HEALTH/PE	410	56	—	574	1,040	—	—	1,040
ROTC	4,050	17,907	(12,946)	(7,163)	1,848	—	—	1,848
SCIENCE	—	132	(1,393)	4,813	3,552	—	—	3,552
SPEECH	—	—	(70)	70	—	—	—	—
SPECIAL SERVICES	237	207	(494)	50	—	—	—	—
SOCIAL STUDIES	—	—	(576)	604	28	—	—	28
TECH-ED	513	645	(1,089)	610	679	—	—	679
LIBRARY COPY MACHINE	—	282	(468)	697	511	—	—	511
LIBRARY FINES	506	2,089	(3,106)	901	390	—	—	390
AUDIO VISUAL	463	—	(874)	1,285	874	—	—	874
POSTER PRINTER	665	66	(963)	449	217	—	—	217
STUDENT FEES	298	103,716	(1,482)	(102,532)	—	—	—	—
LOST/DAMAGED BOOKS	2,996	837	(75)	(3,758)	—	—	—	—
BOOK RENTAL	—	375	(54,252)	53,878	1	—	—	1
CHEER SCHOLARSHIP	1,471	—	—	13	1,484	—	—	1,484
CASH DRAWER CHANGE	—	100	(100)	—	—	—	—	—
LATHAM SCHOLARSHIP	11,960	—	—	102	12,062	—	—	12,062
EAGLE FAMILY	75	1,069	(1,000)	1	145	—	—	145
COKE SCHOLARSHIP	13,932	10,055	(5)	125	24,107	—	—	24,107
PRUDEN SCHOLARSHIP	18,524	350	—	158	19,032	—	—	19,032
SATTERLY SCHOLARSHIP	—	8,833	(1,000)	76	7,909	—	—	7,909
ATHLETIC CASH BOXES	—	—	(1,000)	1,000	—	—	—	—
JONES SCHOLARSHIP	—	2,190	(2,000)	1	191	—	—	191
EAGLE HIGH TRUST	12,091	7,730	(6,402)	—	13,419	—	—	13,419
	<u>\$ 228,927</u>	<u>\$ 833,729</u>	<u>\$ (820,854)</u>	<u>\$ 0</u>	<u>\$ 241,802</u>	<u>\$ 2,360</u>	<u>\$ (102)</u>	<u>\$ 244,060</u>

Daviess County School District
Schedule of Receipts, Disbursements and Fund Balances
Daviess County High School Activity Funds
Year Ended June 30, 2004

	Cash Balance 06/30/03	Receipts	Disburse- ments	Transfers	Cash Balance 06/30/04	A/R	A/P	Fund Balances 6/30/04
GENERAL FUND	\$ 26,372	\$ 15,266	\$ (6,632)	\$ 280	\$ 35,286	\$ —	\$ —	\$ 35,286
OFFICE SUPPLIES	10,785	526	(17,090)	9,895	4,116	—	—	4,116
REWARDS SCHOOL ACCOUNT	2,011	—	—	—	2,011	—	—	2,011
ACTIVITY FEES	1,871	168,795	(75,237)	(89,475)	5,954	—	—	5,954
LAPTOP	—	30	—	—	30	—	—	30
MISC. MAINTENANCE	1,813	—	(219)	1,500	3,094	—	—	3,094
MISC. TEXTBOOKS	3,010	—	—	—	3,010	—	—	3,010
STUDENT FEES/\$24	10,184	469	(9,024)	8,590	10,219	—	—	10,219
TEXTBOOKS/STATE	(0)	2,018	(179)	48	1,887	—	—	1,887
TRAVEL	7,242	525	(344)	—	7,423	—	—	7,423
VENDING	64,552	37,702	(33,856)	(24,845)	43,553	2,649	(2,065)	44,137
FACULTY VENDING	2,452	4,116	(2,388)	(180)	4,000	—	—	4,000
PANTHERMART	1,396	774	(1,386)	87	871	—	—	871
PICTURE COMMISSION	4,382	3,706	(6,033)	—	2,055	—	—	2,055
MAGAZINE	15,909	62,797	(41,229)	(27,480)	9,997	—	—	9,997
NICKEL WAR	2,647	4,274	(3,135)	—	3,786	—	—	3,786
ATHLETICS GENERAL	—	84,714	(43,910)	(40,222)	582	—	—	582
ATHLETIC TRAINING	189	—	(3,488)	3,500	201	—	—	201
ATHLETIC BOOSTERS	5,103	84,182	(57,637)	(27,648)	4,000	—	—	4,000
BASEBALL SIGNS	3,472	7,725	(5,433)	(653)	5,111	—	(15)	5,096
BASEBALL	477	3,552	(10,134)	6,105	—	—	—	—
BASEBALL-DISTRICT	1,313	—	—	(1,313)	—	—	—	—
BASEBALL TOURNAMENT	748	1,107	(913)	(749)	193	—	—	193
BKB-MIDDLE SCHOOL	—	—	—	—	—	—	—	—
BASKETBALL CAMP GIRLS	1	3,305	(1,030)	0	2,276	—	(275)	2,001
GIRLS BKB TOURNAMENT	—	4,352	(3,030)	(1,322)	—	—	—	—
BASKETBALL-BOYS	1,757	7,775	(18,159)	8,627	—	—	—	—
BOYS BKB TOURNAMENT	—	5,116	(6,877)	1,761	—	—	—	—
BASKETBALL-GIRLS	—	6,555	(19,980)	13,425	—	—	—	—
BASKETBALL CAMP BOYS	614	2,120	(2,597)	—	137	—	—	137
CC/TR INVITATIONALS	3,612	5,621	(8,664)	—	569	—	—	569
TRACK- REGIONAL	783	—	—	(783)	—	—	—	—
CC/TRACK BOYS	3,359	12,890	(19,537)	6,556	3,268	—	—	3,268
CROSS COUNTRY-GIRLS	1,027	1,389	(5,337)	2,934	13	—	—	13
TRACK GIRLS	1,003	2,831	(5,591)	3,779	2,022	—	—	2,022
CHEERLEADERS	6,693	31,642	(39,229)	2,131	1,237	—	—	1,237
FIELD MAINTENANCE	—	—	(5,538)	5,538	—	—	—	—
G/B DIST. BKBALL	—	27,094	(18,635)	(8,459)	—	—	—	—
FOOTBALL	—	2,287	(21,946)	19,659	—	—	—	—
GOLF TOURNAMENT	—	4,615	(4,446)	(169)	—	—	—	—
GOLF BOYS	—	584	(3,183)	2,619	20	—	—	20
GOLF GIRLS	—	690	(1,460)	1,458	688	—	—	688
PANTHERETTES	4,274	9,778	(7,136)	3,978	10,894	—	(5,595)	5,299

Daviess County School District
Schedule of Receipts, Disbursements and Fund Balances
Daviess County High School Activity Funds (Continued)
Year Ended June 30, 2004

	Cash Balance 06/30/03	Receipts	Disburse- ments	Transfers	Cash Balance 06/30/04	A/R	A/P	Fund Balances 6/30/04
SOCCER-DISTRICT	\$ —	\$ 3,335	\$ (2,690)	\$ (645)	\$ —	\$ —	\$ —	\$ —
SOCCER BOYS	132	6,652	(8,082)	4,129	2,831	—	—	2,831
SOCCER TOURNAMENT	—	549	(300)	(249)	—	—	—	—
SOCCER GIRLS	264	6,768	(11,569)	4,784	247	—	—	247
SOCCER TOURN-REGIONAL	—	4,015	(2,965)	(1,050)	—	—	—	—
SOFTBALL	2,587	10,775	(16,022)	6,045	3,385	—	—	3,385
BASEBALL FLORIDA	—	10,049	(10,909)	860	—	—	—	—
SOCCER-SUB SECTIONAL	—	1,368	(1,368)	—	—	—	—	—
STATE TOURNAMENT EXP.	1,521	1,968	(6,446)	7,092	4,135	—	—	4,135
SWIMMING	2,998	2,551	(4,540)	1,817	2,826	—	—	2,826
TENNIS BOYS	340	297	(1,091)	1,183	729	—	—	729
TENNIS GIRLS	—	1,628	(1,666)	38	—	—	—	—
VOLLEYBALL	—	5,846	(8,692)	2,846	—	—	—	—
4-H CLUB	—	222	(132)	(40)	50	—	—	50
ART CLUB	665	380	(29)	(20)	996	—	—	996
BETA CLUB	617	1,699	(1,590)	(135)	591	—	—	591
CHAMPIONS AGAINST	—	528	(572)	44	—	—	—	—
CHRISTIAN STU. UNION	134	—	—	—	134	—	—	134
DRAMA CLUB	86	548	—	—	634	—	—	634
FBLA	349	4,894	(5,834)	592	—	—	—	—
FCCLA	720	4,403	(4,823)	(3)	297	—	—	297
FELLOW CHRISTIAN	1,438	—	(56)	(1,282)	100	—	—	100
FFA	150	14,340	(12,994)	(187)	1,309	—	(280)	1,029
FISH & GAME CLUB	104	—	—	—	104	—	—	104
FRENCH CLUB	387	348	(581)	(120)	34	—	—	34
FUTURE TEACHERS CLUB	209	135	(35)	—	309	—	—	309
INTERACT CLUB	765	1,200	(1,200)	(13)	752	—	—	752
JR. CIVITAN CLUB	883	619	(760)	(80)	662	—	—	662
KEY CLUB	555	1,465	(1,386)	(135)	499	—	—	499
JR CLASSICAL LEAGUE	313	3,730	(3,603)	(249)	191	—	—	191
NATIONAL HONOR SOCIETY	45	1,776	(645)	(135)	1,041	—	—	1,041
PEP CLUB	90	2,898	(2,806)	(34)	148	—	—	148
QUILL & SCROLL CLUB	243	206	(293)	(20)	136	—	—	136
RECYCLE CLUB	7	444	(14)	—	437	—	—	437
SADD	689	551	(450)	(20)	770	—	—	770
SPANISH CLUB	179	9,250	(8,983)	(388)	58	—	—	58
SPANISH NAT HONOR	—	554	(551)	—	3	—	—	3
STUDENT COUNCIL	777	1,339	(1,018)	(237)	861	—	—	861
YOUNG DEMOCRATS	—	13	—	(13)	—	—	—	—
YOUNG REPUBLICANS	236	—	(97)	—	139	—	—	139
CO-ED Y CLUB	2,241	3,630	(4,295)	—	1,576	—	—	1,576
PAINTBALL CLUB	—	145	—	—	145	—	—	145
AG MECHANICS	200	2,932	(6,891)	3,759	—	—	—	—

Daviess County School District
Schedule of Receipts, Disbursements and Fund Balances
Daviess County High School Activity Funds (Continued)
Year Ended June 30, 2004

	Cash Balance 06/30/03	Receipts	Disburse- ments	Transfers	Cash Balance 06/30/04	A/R	A/P	Fund Balances 6/30/04
AG/IND TECH ACADEMY	\$ —	\$ 405	\$ (2,442)	\$ 3,195	\$ 1,158	\$ —	\$ —	\$ 1,158
BUSINESS ED ACADEMY	1,995	10	(2,435)	1,608	1,178	—	—	1,178
CAREER PREP	86	—	(20)	60	126	—	—	126
CONSTRUCTION	1,327	10,841	(13,295)	1,127	—	—	—	—
FINE ARTS/MASS COMM.	3,339	9,274	(24,984)	13,665	1,294	—	—	1,294
GUIDANCE	5,450	13,337	(12,868)	(33)	5,886	—	—	5,886
HEALTH WELLNESS	2,621	8,231	(16,130)	5,908	630	—	—	630
HORTICULTURE	156	10,899	(9,056)	(913)	1,086	—	—	1,086
LIBERAL ARTS ACADEMY	—	4,753	(22,503)	17,750	—	—	—	—
LIBRARY	2,452	1,537	(645)	121	3,465	—	—	3,465
MATH/SCIENCE ACADEMY	882	2,618	(12,747)	9,247	—	—	—	—
SPECIAL SERVICES	40	—	(50)	10	—	—	—	—
JRROTC UNIFORM MAINT	—	1,587	(2,052)	466	1	—	—	1
JRROTC MAINT/SUPPORT	—	1,647	(603)	—	1,044	—	—	1,044
JRROTC BOOSTERS	—	2,126	(1,592)	—	534	—	—	534
EBD-DEAN	—	100	(100)	—	—	—	—	—
EBD-CANARY	—	30	(30)	—	—	—	—	—
ACADEMIC TEAM	—	2,777	(7,654)	4,877	—	—	—	—
BAND BOOSTERS	4,353	116,409	(115,225)	(1,268)	4,269	—	(1,835)	2,434
BAND-CAPITAL	1,639	5,219	(3,158)	—	3,700	—	—	3,700
BIG RED MACHINE	—	4,202	(5,101)	899	—	—	—	—
CLASS OF 2006	50	36	(50)	50	86	—	—	86
CLASS OF 2007	—	—	(50)	50	—	—	—	—
CLASS OF 2003	247	—	—	(247)	—	—	—	—
CLASS OF 2004	21	1,282	(854)	50	499	—	—	499
CLASS OF 2005	50	—	(49)	50	51	—	—	51
DRAMA	1,551	13,690	(11,433)	(765)	3,043	—	(286)	2,757
DRAMA MUSICAL	—	5,055	(5,170)	115	—	—	—	—
GRAD/SR.ACTIVITIES	135	520	(8,731)	8,076	—	—	—	—
MADRIGALSINGERS	108	14,310	(13,997)	—	421	—	—	421
TARGETDONATION	1,465	1,344	—	—	2,809	—	—	2,809
PROM	8,150	8,113	(8,507)	750	8,506	—	—	8,506
RENAISSANCEREWARDS	12,846	1,432	(28,590)	24,681	10,369	—	—	10,369
SPECIALSCIENCE	246	30	(128)	—	148	—	—	148
T-SHIRTS	—	36,143	(33,664)	3,152	5,631	—	—	5,631
YEARBOOK-ECHOES	36,152	35,792	(49,816)	13	22,141	—	—	22,141
NICKBROWNSCHOLARSHIP	5,603	—	(500)	—	5,103	—	—	5,103
BRADSMITHSCHOLARSHIP	7,091	—	(1,500)	—	5,591	—	—	5,591

Daviess County School District
Schedule of Receipts, Disbursements and Fund Balances
Daviess County High School Activity Funds (Continued)
Year Ended June 30, 2004

	Cash Balance 06/30/03	Receipts	Disburse- ments	Transfers	Cash Balance 06/30/04	A/R	A/P	Fund Balances 6/30/04
ROBINSWEENEY	4,650	—	—	—	4,650	—	—	4,650
CONTINGENCYFUND	143,669	—	—	—	143,669	—	—	143,669
PETTY CASH	3,100	100	—	—	3,200	—	—	3,200
ATHLETIC CASH BOXES	—	3,000	—	—	3,000	—	—	3,000
FIRST COUNTY HIGH BANK	8,873	23,871	(24,366)	—	8,378	417	(4,272)	4,523
	<u>\$ 467,322</u>	<u>\$1,065,692</u>	<u>\$(1,086,715)</u>	<u>\$ —</u>	<u>\$ 446,299</u>	<u>\$ 3,066</u>	<u>\$ (14,623)</u>	<u>\$ 434,742</u>

Daviess County School District
General Fund – Accounts Receivable
June 30, 2004

Accounts receivable as reported in the District's Annual Financial Report to the State Department of Education – Division of Finance	\$ <u>978,605</u>
Total General Fund – Accounts Receivable	\$ <u><u>978,605</u></u>

**Daviess County School District
General Fund – Accounts Payable
June 30, 2004**

Accounts payable as reported in the District's Annual Financial Report to the State Department of Education – Division of Finance	\$ 274,353
Additional accounts payable recorded subsequent to the Annual Financial Report Transportation fees	<u>94,662</u>
Total General Fund – Accounts Payable	<u>\$ 369,015</u>

**Daviess County School District
Board Members and Administrative Personnel
June 30, 2004**

Board Members	Address	Term Expires
Mary Tim Griffin, Chairperson	4009 Chapel Lane Owensboro, KY 42301	January 1, 2005
Frank G. Riney, III Vice-Chair	5651 West 5 th Street Road Owensboro, KY 42301	January 1, 2005
Dr. John Ed Dunn	3318 East 6 th Street Owensboro, KY 42303	January 1, 2006
Dwight T. Lovan	3500 Oaklane Drive Philpot, KY 42366	January 1, 2006
Joe H. Overby	4450 Greenacre Drive Owensboro, KY 42303	January 1, 2005

Administrative Personnel

Stuart M. Silberman – Superintendent and Secretary to the Board through June 30, 2004

Thomas D. Shelton – Interim Superintendent and Secretary to the Board, effective July 1, 2004; Assistant Superintendent for Finance and Operational Support and Treasurer to the Board through June 30, 2004

J. Matthew Robbins – Interim Assistant Superintendent for Finance and Operational Support and Treasurer to the Board, effective July 1, 2004

Leesa Moman – Assistant Superintendent for Teaching and Learning Support

Daviess County School District
Statement of Grant Receipts, Disbursements and Fund Balance
Workforce Investment Act Grant
Contract No. WIA JG3-19
Statement of Program Costs and Status of Funds
Contract Period from January 1, 2003 to June 30, 2003
Year Ended June 30, 2004

<u>Program Costs</u>					(Over) Under Budget
<u>Account</u>	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	
Salary/training/support	\$ <u>24,791</u>	\$ <u>23,543</u>	\$ <u>—</u>	\$ <u>23,543</u>	\$ <u>1,248</u>
Total	\$ <u>24,791</u>	<u>23,543</u>	<u>0</u>	<u>23,543</u>	\$ <u>1,248</u>
Cost eligible for reimbursement		\$ <u>23,543</u>	\$ <u>0</u>	\$ <u>23,543</u>	
<u>Total</u>					
Status of Funds					
WIA Funds					
Contract award				\$ <u>24,791</u>	
WIA funds received during the period		\$ <u>13,502</u>	\$ <u>10,041</u>	\$ <u>23,543</u>	
Total WIA revenue		<u>13,502</u>	<u>10,041</u>	<u>23,543</u>	
Total WIA expenditures		<u>23,543</u>	<u>0</u>	<u>23,543</u>	
Excess (deficiency) of revenues over expenditures		\$ <u>(10,041)</u>	\$ <u>10,041</u>	\$ <u>0</u>	

Daviess County School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Number	Amount Expended
U. S. Department of Education			
Elementary School Foreign Language Incentive	84.294A		\$ <u>11,584</u>
Passed through the Commonwealth of Kentucky Department of Education			
Title 1 Programs – Local Educational Agencies	84.010	35103-01	109,483
Title 1 Programs – Local Educational Agencies	84.010	35104-01	1,022,845
Migrant Education – Basic State Formula Grant Program	84.011	35203-02	2,639
Migrant Education – Basic State Formula Grant Program	84.011	35204-02	72,440
Title V Part A No Child Left Behind	84.298	53304-02	60,345
Title V Part A No Child Left Behind	84.298	53303-02	6,582
IDEA Basic	84.027	58104-02	1,634,106
IDEA Basic Silver Grant	84.027A	58104-02	9,528
IDEA Basic Silver Grant	84.027A	58104-02	21,176
IDEA Preschool	84.173A	58703-02	11,394
IDEA Preschool	84.173A	58704-02	86,162
Perkins Vocational, Title I Part C, Carryforward	84.048		1,965
Title II Vocational Ed Basic Grants to States	84.048	46204-32	81,443
Title II Technology Literacy Challenge Grant	84.318	73604-02	1,441
Title II – Technology	84.318X	73604-02	7,854
Title II – Teacher Quality	84.367A	71004-02	365,586
Title II – Teacher Quality	84.367A	71003-02	78,400
Title IV Safe and Drug Free Schools	84.186A	59001-02	2,406
Title IV Safe and Drug Free Schools	84.816	59003-02	10,190
Title IV Safe and Drug Free Schools	84.816	59004-02	<u>38,423</u>
Total Kentucky Department of Education			<u>3,624,408</u>

Daviess County School District
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Number	Amount Expended
Passed through Green River Regional Educational Cooperative, Inc.			
21 st Century Community Learning Grant	84.287A		\$ 194,062
IDEA Discretionary	84.027		14,254
Smaller Learning Communities Grant	84.215L		<u>126,862</u>
Total Green River Regional Educational Cooperative, Inc.			<u>335,178</u>
Passed through Commonwealth of Kentucky Department of Juvenile Justice			
Title 1 N & D Juvenile Detention Center Education Services	84.013		<u>26,384</u>
Passed through Ohio County Board of Education			
Title III Limited English Proficiency	84.365		<u>23,728</u>
Passed through the Commonwealth of Kentucky Workforce Cabinet			
Tech-Prep Education	84.243		32,000
Community Based Work Transition	84.126		<u>33,736</u>
Total Kentucky Workforce Cabinet			<u>65,736</u>
Total U. S. Department of Education			<u>4,087,018</u>
U. S. Department of Labor Passed through the Commonwealth of Kentucky Department of Education			
Job Training Partnership Act	17.255		<u>17,347</u>
Passed through the Green River Area Development District			
National Family Caregiver Support	93.052		<u>1,268</u>
Total U. S. Department of Labor			<u>18,615</u>
U. S. Department of Defense			
AFROTC 03-04	12.000	9004-00	46,457
Navy ROTC 03-04	12.000	9004-00	<u>12,558</u>
Total U. S. Department of Defense			<u>59,015</u>

Daviess County School District
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Number	Amount Expended
U. S. Department of Agriculture			
Passed through the Kentucky Department of Education			
*Child Nutrition Cluster			
National School Lunch Program	10.555	57504-02	\$ 1,400,971
School Breakfast Program	10.553	57604-05	473,903
Food Distribution – Commodities	10.550	N/A	286,016
Food Distribution – Meal Reimbursement	10.559	57403-23	172,506
Food Distribution – Sponsor	10.559	56903-24	<u>18,550</u>
Total U. S. Department of Agriculture			<u>2,351,946</u>
Total Federal Awards			<u>\$ 6,516,594</u>

Daviess County School District
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004

Notes to Schedule

1. This schedule includes the federal awards activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
2. Of the federal expenditures presented in this schedule, the District did not provide any federal awards to subrecipients.



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Independent Accountants' Report on Compliance and on Internal Control Over Financial Reporting Based on the Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Kentucky State Committee for School District Audits
Members of the Board of Education
Daviness County School District
Owensboro, Kentucky

We have audited the financial statements of Daviness County School District (District) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Guide for Auditing Local School Districts Fiscal Records*.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 04-02.

In addition, the results of our tests disclosed instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditors' Contract - State Audit Requirements*, as described in the accompanying letter to management dated October 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record,

Kentucky State Committee for School District Audits
Members of the Board of Education
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 04-01 to be a material weakness.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

October 29, 2004



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Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

Kentucky State Committee for School District Audits
Members of the Board of Education
Daviess County School District
Owensboro, Kentucky

Compliance

We have audited the compliance of Daviess County School District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended

June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of the District based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Guide for Auditing Local School Districts' Fiscal Records*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Daviess County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 04-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contract and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the board members, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

October 29, 2004

Daviess County School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
☒ **Unqualified** ☐ **Qualified** ☐ **Adverse** ☐ **Disclaimed**

2. The independent accountants' report on internal control over financial reporting described:
Reportable condition(s) noted considered material weakness(es)? ☒ **Yes** ☐ **No**
Reportable condition(s) noted that are not considered to be a material weakness? ☐ **Yes** ☒ **No**

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ **Yes** ☒ **No**

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
Reportable condition(s) noted considered material weakness(es)? ☐ **Yes** ☒ **No**
Reportable condition(s) noted that are not considered to be a material weakness? ☒ **Yes** ☐ **No**

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
☒ **Unqualified** ☐ **Qualified** ☐ **Adverse** ☐ **Disclaimed**

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☒ **Yes** ☐ **No**

Daviess County School District
Schedule of Findings and Questioned Costs (Continued)
June 30, 2004

7. The District's major programs were:

Cluster/Program	CFDA Number
Title I Programs – Local Educational Agencies	84.010
Child Nutrition Cluster	10.550, 10.553, 10.555, 10.559

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The District qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

☐ **Yes**

☒ **No**

Daviess County School District
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2004

Required to be Reported by *Government Auditing Standards*

Reportable Conditions

04-01 Segregation of Duties

Statement of Condition

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. Specifically, bookkeepers at individual schools perform most accounting functions, and after school program directors have responsibility for billing and collection of student fees.

Criteria

Key steps of internal control should be segregated among different employees.

Effect

Because compensating steps of internal control are at times completed by the same individual, detection of misappropriation of District assets by employees during the normal course of operations is weakened.

Recommendations

Job responsibilities within the accounting area should be continually reviewed and, where feasible, duties be switched to provide better segregation of incompatible work functions. An analysis of the risk placed in certain individuals should be continually performed.

Response

In the area of school bookkeepers and after school program directors, it is not practical or cost effective to hire additional staff to separate accounting functions at all locations. Adequate internal control procedures as defined by local policy and state law are available and enforced in these areas. Fidelity bond coverage was carried during the fiscal year.

Daviess County School District
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2004

Findings Required to be Reported by OMB Circular A-133

04-02 Collateralization of District Cash Accounts

Statement of Condition

We noted that the District's depository bank had pledged securities from two out of state school districts as collateral for the District's deposit accounts. Kentucky Revised Statutes (KRS) do not permit using out of state school district obligations as collateral.

Criteria

KRS Section 41.240 specifies that a depository receiving public funds shall pledge or provide securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits or provide a surety bond. The statute further defines which securities and other obligations are acceptable as criteria.

Effect

District funds could be subject to risk if collateral other than securities and other obligations specified in KRS 41.240 is pledged by the depository institution.

Recommendation

The District should inform its depository institution of the requirements of KRS 41.240, and develop procedures to review pledged securities on a monthly basis to ensure compliance.

Response

Adequate collateral was in place as of June 30, 2004, to fully collateralize deposits on hand. However, two of the securities pledged as collateral did not meet the criteria in KRS 41.240 since these municipal securities were non-Kentucky municipal securities. Old National Bank, our depository, will be provided with a copy of permissible securities that may be pledged as collateral under KRS 41.240 and further, we will request a monthly pledged collateral report be provided to the director of finance for compliance review.

Daviess County School District
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2004

Findings Required to be Reported by OMB Circular A-133

04-03 Applications for Free or Reduced Meals

Statement of Condition

For our test of applications for free or reduced meals, the District was unable to locate applications for two of the students selected for testing. The District was able to locate applications for the preceding school year and the school year following the year under audit. The students met the program eligibility guidelines in both years. Thus, the condition relates to record retention and not eligibility of the students for participation in the program.

Criteria

A student's eligibility for free or reduced price meals under a Child Nutrition Cluster program is established by submission of an annual application which furnishes information such as family income and family size. Student eligibility is determined by comparing data reported by the student's household to published income eligibility information.

Effect

Without an application for a student that supports the student's eligibility for the program, the District could be providing reduced meal prices to nonqualifying students.

Sample Size	32
Not in Compliance	2

Recommendation

The District should develop procedures to verify that completed applications have been received and retained for all students receiving free or reduced price meals.

Response

Since this finding, filing procedures have been improved in the following way: Part-time help was hired for the summer and the first few weeks of school to assist in entering and filing free and reduced applications. With the number of applications that are processed from July through August, we decided to employ part-time help to ensure that filing was completed in a more timely manner, therefore contributing to the accuracy of providing an application is on hand.

Daviess County School District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2004

03-01 Segregation of Duties

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. Specifically, bookkeepers at individual schools perform most accounting functions. Key steps of internal control should be segregated among different employees. Because compensating steps of internal control are at times completed by the same individual, detection of misappropriation of District assets by employees during the normal course of operations is weakened.

Recommendation

Job responsibilities within the accounting area should be continually reviewed and, where feasible, duties be switched to provide better segregation of incompatible work functions. An analysis of the risk placed in certain individuals should be continually performed.

Current Status

The District continually reviews the duties of the school bookkeepers and adjusts as possible and appropriate. Internal reviews/audits are performed by the Central Office. Policies and procedures are revised as needed.

03-02 Bank Statement Reconciliation

Due to utilization of improper methodology related to transfers between accounts and recording of direct payments, bank reconciliations have not been completely reconciled each month. Proper reconciliation of cash accounts by qualified individual is an essential element of internal control.

Recommendation

We recommend that bank reconciliations from the cash accounts to the MUNIS accounting system be completed in the proper manner by the end of the following month. All differences should be investigated and reconciled monthly. To ensure timely and accurate completion, we recommend that the Assistant Superintendent review and initial the completed reconciliations. During the course of the audit, procedures were changed related to transfers between cash accounts and recording wire transfers. These changes significantly enhance management's ability to perform timely and accurate bank reconciliations.

Current Status

Revised procedures for cash transfers, recording of wires and voided checks were implemented. Bank reconciliations are reviewed and completed in a more timely manner. Procedures will be continually reviewed and revised.



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Mr. Thomas D. Shelton
Interim Superintendent
Daviess County School District
Owensboro, Kentucky

Dear Mr. Shelton:

In planning and performing our audit of the financial statements of Daviess County School District (District) for the year ended June 30, 2004, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 29, 2004, contains our report on reportable conditions involving internal control. This letter does not affect our report dated October 29, 2004 on the financial statements of the District.

We have already discussed many of these comments and suggestions with various District personnel.

We understand that Central Office personnel schedule meetings with individual school bookkeepers and principals to review these comments and overall bookkeeping procedures. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

BKD, LLP

October 29, 2004

Daviess County School District

Management Letter Points

A04-01 Athletic Bid

The Athletic Bid has both a store discount/catalog component and line item component to the bid. This bid was administered and awarded properly by the Board of Education. We noted during our 2003 audit, a lack of off-bid support for items the schools purchased from vendors that had not been awarded the bid for some of the line items we tested. Based upon this comment, a meeting was held in February 2004 with school principals and athletic directors to review the bid process and purchase requirements. During our 2004 audit, we noted purchases made prior to this meeting that also lacked off-bid support.



Daviness County Public Schools

"It's About Kids"

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Tom Shelton

Interim Superintendent

Phone: (270) 852-7000

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CORRECTIVE ACTION PLAN

December 20, 2004

Daviness County Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2004.

BKD, LLP

100 West Third Street

P.O. Box 1824

Owensboro KY 42302-1824

Audit period: July 1, 2003 – June 30, 2004

The findings from the June 30, 2004 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule, beginning on page 86 of the audit report.

Schedule of Findings and Questioned Costs

Reportable Conditions:

04-01 Segregation of Duties

Statement of Condition:

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. Specifically, bookkeepers at individual schools perform most accounting functions and after school program directors have responsibility for billing and collection of student fees.

Criteria:

Key steps of internal control should be segregated among different employees.

Effect:

Because compensating steps of internal control are at times completed by the same individual, detection of misappropriation of District assets by employees during the normal course of operations is weakened.



Daviness County Public Schools

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Recommendation:

Job responsibilities within the accounting area should be continually reviewed and, where feasible, duties be switched to provide better segregation of incompatible work functions. An analysis of the risk placed in certain individuals should be continually performed.

Action Taken:

In the area of school bookkeepers, it is not practical or cost effective to hire additional staff to separate accounting functions at all locations. Adequate internal control procedures as defined by local policy and state law are available and enforced in these areas. Fidelity bond coverage was carried on each bookkeeper during the fiscal year.

04-02 Collateralization of District Cash Accounts:

Statement of Condition:

We noted that the District's depository bank had pledged securities from two out of state school districts as collateral for the District's deposit accounts. Kentucky Revised Statutes (KRS) do not permit using out of state school district obligations as collateral.

Criteria:

KRS Section 41.240 specifies that a depository receiving public funds shall pledge or provide securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits or provide a surety bond. The statute further defines which securities and other obligations are acceptable as criteria.

Effect:

District Funds could be subject to risk if collateral other than securities and other obligations specified in KRS 41.240 is pledged by the depository institution.

Recommendation:

The District should inform its depository institution of the requirements of KRS 41.240, and develop procedures to review pledged securities on a monthly basis to insure compliance.

Response::

Adequate collateral was in place to secure deposits as of June 30, 2004, to fully collateralize deposits on hand. However, two of the securities pledged as collateral did not meet the criteria in KRS 41.240 since these municipal securities were non-Kentucky municipal securities. Old National Bank, our depository, will be provided with a copy of permissible securities that may be pledged as collateral under KRS 41.240 and further, we will request a monthly pledged collateral report be provided to the Director of Finance for compliance review.



Daviness County Public Schools

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04-03 Applications for Free or Reduced Meals

Statement of Condition:

For our test of applications for free or reduced meals, the District was unable to locate applications for two of the students selected for testing. The District was able to locate applications for the preceding school year and the school year following the year under audit. The students met the program eligibility guidelines in both years. Thus, the condition relates to record retention and not eligibility of the students for participation in the program.

Criteria:

A student's eligibility for free or reduced price meals under a Child Nutrition Cluster program is established by submission of an annual application which furnishes information such as family income and family size. Student eligibility is determined by comparing data reported by the student's household to published income eligibility information.

Effect:

Without an application for a student that supports the student's eligibility for the program, the District could be providing reduced prices to non-qualifying students.

Sample Size	32
Not in Compliance	2

Recommendation:

The District should develop procedures to verify that completed applications have been received and retained for all students receiving free or reduced price meals.

Response:

Since this finding, filing procedures have been improved in the following way: Part-time help was hired for the summer and the first few weeks of school to assist in entering and filing free and reduced applications. With the number of applications that are processed from July through August, we decided to employ part-time help to ensure that filing was completed in a timely manner, therefore contributing to the accuracy of providing an application upon request.



Daviness County Public Schools

"It's About Kids"

Schedule of Prior Year Audit Findings

03-01 Segregation of Duties

Condition:

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. Specifically, bookkeepers at individual schools perform most accounting functions. Key steps of internal control should be segregated among different employees. Because compensating steps of internal control are at times competed by the same individual, detection of misappropriation of District assets by employees during the normal course of operations is weakened.

Recommendation:

Job responsibilities within the accounting area should be continually reviewed and, where feasible, duties be switched to provide better segregation of incompatible work functions. An analysis of the risk placed in certain individuals should be continually performed.

Current Status:

The District continually reviews the duties of the school bookkeepers and adjusts as possible and appropriate. Internal reviews/audits are performed by the Central Office. Policies and procedures are revised as needed.

03-02 Bank Statement Reconciliation

Condition:

Due to utilization of improper methodology related to transfers between accounts and recording of direct payments, bank reconciliations have not been completely reconciled each month. Proper reconciliation of cash accounts by a qualified individual is an essential element of internal control

Recommendation:

We recommend that bank reconciliations from the cash account to the MUNIS accounting system be completed in the proper manner by the end of the following month. All differences should be investigated and reconciled monthly. To ensure timely and accurate completion, we recommend that the Assistant Superintendent review and initial the completed reconciliations. During the course of the audit, procedures were changed related to transfers between cash account and recording wire transfers. These changes significantly enhance management's ability to perform timely and accurate bank reconciliations.



Daviness County Public Schools

"It's About Kids"

Current Status:

Revised procedures for cash transfers, recording of wires and voided checks were implemented. Bank reconciliations are reviewed and completed in a timely manner. Procedures will be continually reviewed and revised.

If you have any questions or concerns regarding this plan, please do not hesitate to contact me.

Sincerely yours,

J. Matthew Robbins
Interim Assistant Superintendent of Finance and Operations